STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY FOR APPROVAL OF INCREASED BASE TARIFF RATES AND CHARGES FOR GAS SERVICE AND OTHER TARIFF REVISIONS	: : : : :	DOCKET NO.________________

CASE SUMMARY, PETITION, NOTICE AND EXHIBITS

Volume 1 of 3

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January 2017

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY FOR APPROVAL OF INCREASED BASE TARIFF RATES AND CHARGES FOR GAS SERVICE AND OTHER TARIFF REVISIONS	: : : : :	CASE SUMMARY DOCKET NO.

By this Petition, South Jersey Gas Company ("South Jersey" or the "Company") proposes to increase its base tariff rates and implement certain other tariff revisions.

South Jersey has not filed a base rate case since 2013. Since that time it has managed its business responsibly and effectively and continues to provide a high quality of service to its customers at reasonable rates. In order to effectuate this high level of service, the Company made significant and prudent investments to its transmission and distribution systems all the while experiencing cost increases which have impacted all industry sectors within the economy.

As of South Jersey's last base rate case, its test year end gross utility plant balance was $1.8 billion. Since that time, the Company has made over $462 million of additional capital investments and projects, and an additional $305 million will be invested by February 28, 2018, inclusive of the Company's Accelerated Infrastructure Replacement Program ("AIRP") and Storm Hardening and Reliability Program ("SHARP") investments. The primary driver of this case is a need to earn a fair return on the investments made so that the Company can continue to attract capital at reasonable rates and invest in the infrastructure necessary to continue providing safe and reliable service to its customers. Without appropriate rate relief in this proceeding, allowing a reasonable return of and return on these investments, South Jersey's ability to attract capital at reasonable rates may be impacted. South Jersey has and continues to make significant improvements to its infrastructure to ensure its ability to continue to provide safe, adequate and proper service to its customers.

South Jersey's total projected operating revenues, per books, for the twelve month period ending August 31, 2017 (utilizing three months' actual data and nine months' estimated data) are $487,931,600. The rates proposed in this Petition would yield additional operating revenues of approximately $74,874,738 million or 15.3% (after giving effect to: (1) the roll-in of the Company's Conservation Incentive Program "CIP" revenues, adjusted for Sales and Use Tax; and (2) the roll-ins to base rates for the Company's SHARP and AIRP to take place October 1, 2017, outside of this base rate proceeding).

The impact of this Petition on the bill of an average residential customer using 100 therms per month would be $20.28 or 16.6%. The actual percentage increase applicable to specific customers will vary according to the applicable rate schedule and the level of each customer's usage.

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY FOR APPROVAL OF INCREASED BASE TARIFF RATES AND CHARGES FOR GAS SERVICE AND OTHER TARIFF REVISIONS	:	PETITION DOCKET NO.

TO: THE HONORABLE COMMISSIONERS OF THE BOARD OF PUBLIC UTILITIES

South Jersey Gas Company (sometimes hereinafter referred to as "South Jersey", "Petitioner" or the "Company"), a public utility corporation of the State of New Jersey, with its principal office at One South Jersey Plaza, Folsom, New Jersey, hereby petitions this Honorable Board (sometimes hereinafter referred to as the "Board") for authority pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1 and N.J.A.C. 14:1-5.12 to increase its base tariff rates and charges for gas service, and to implement certain other tariff revisions. The Company also proposes to maintain its existing composite depreciation rate pursuant to N.J.S.A. 48:2-18. In support thereof, Petitioner states as follows:

I. BACKGROUND

1. Petitioner is engaged in the transmission, distribution, transportation, and sale of natural and mixed gases within its defined service territory within the State of New Jersey. The Company's service territory includes all or portions of the following counties: Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester and Salem. Within its service territory, South Jersey services approximately 375,000 customers.

2. The rate schedules and other tariff provisions which South Jersey proposes to increase and modify by virtue of this filing are those currently effective rate schedules and tariff provisions now on file with the Board, designated "Tariff for Gas Service, B.P.U.N.J. No. 11 –

Gas" (the "Existing Tariff"), a copy of which is attached hereto and marked as Exhibit P-1. The Existing Tariff was issued pursuant to Board Orders in Docket Nos. GR13111137, effective October 1, 2014; GR14070831, effective June 1, 2015; GR15010090, effective September 1, 2015; GR15060642, effective October 1, 2015; ER15060732, effective October 1, 2015; GR15040496, effective October 1, 2015; GR14050509, effective April 1, 2016; GR15070858, effective May 7, 2016; GR16060483, effective October 1, 2016; ER16060536, effective October 1, 2016; GR16060491, effective November 10, 2016; GR16020175, effective December 1, 2016; and ER16111054, effective January 1, 2017.

3. The proposed rate schedules and other tariff provisions which Petitioner seeks to make effective as a result of this filing are those contained in the tariff sheets which are blacklined against the Existing Tariff to reflect proposed changes (the "Proposed Tariff"), a copy of which is attached to the Direct Testimony of Ken Barcia as Schedule KJB-23 and incorporated herein by reference. It is requested that the Proposed Tariff be made effective February 28, 2017, a date which is no less than thirty (30) days from the date of this filing.

II. BASE RATES

4. Petitioner's total projected operating revenues, per books, for the twelve month period ending August 31, 2017 (the "Test Year") (utilizing three months' actual data and nine months' estimated data) are $487,931,600. The rates proposed in this Petition would yield additional operating revenues of approximately $74,874,738 or 15.3% (after giving consideration to the roll-in of the Company's Conservation Incentive Program ("CIP") revenues), adjusted for Sales and Use Tax. These operating revenues include a reduction to the total revenue requirement to account for the Company's Accelerated Infrastructure Replacement Program Extension ("AIRP II") and the Storm Hardening and Reliability Program ("SHARP") revenue

adjustments that will occur on October 1, 2017 (outside of this proceeding) pursuant to the schedules approved in the respective Board Orders[1] approving these programs.

5. The impact of this Petition on the bill of an average residential customer using 100 therms per month would be $20.28 or 16.6%. The actual percentage increase applicable to specific customers will vary according to the applicable rate schedule and the level of each customer's usage.

6. In accordance with N.J.A.C. 14:1-5.12(a)(4), the amount of operating revenue derived from intrastate service during the twelve months ended December 31, 2016 was $397,616,418.

7. The Company proposes to include a Cash Working Capital allowance in rate base of $112,449,069. This is based on a lead lag study addressed in the Direct Testimony of Kenneth Novak, attached to the Petition and marked as Exhibit P-7. Moreover, the Company has calculated its Federal income tax expense using the statutory rate, rather than applying a consolidated tax adjustment consistent with the Board's Orders in I/M/O the Board's Review of the Applicability and Calculation of a Consolidated Tax Adjustment, BPU Docket No. EO12121072.

8. Petitioner's proposed Test Year ends August 31, 2017. Petitioner is seeking inclusion in rate base of certain post-Test Year additions which will be made after August 31, 2017, and which will be in service within six months.

[1] I/M/O the Petition of South Jersey Gas Company to Continue its Accelerated Infrastructure Replacement Program (AIRP) Pursuant to N.J.S.A. 48:2-21.1 and for Approval of a Base Rate Adjustment to Reflect AIRP Investments in Base Rates, BPU Docket No. GR16020175 (Board Order dated October 31, 2016); and I/M/O the Petition of South Jersey Gas Company for Approval of Base Rate Adjustment Pursuant to the Storm Hardening and Reliability Program ("SHARP") BPU Docket Nos. AX13030197 and GO13090814 (Board Order dated August 20, 2014), respectively.

9. Petitioner's filing in this case is based upon three months of actual data, and nine months of estimated data. During the processing of this case, South Jersey will update its testimony and exhibits, as appropriate to reflect actual results. It is anticipated that by the conclusion of this case, the entire Test Year ending August 31, 2017 will reflect actual results.

III. NEED FOR RATE RELIEF

10. South Jersey has not filed a base rate case since 2013[2]. Since that time it has managed its business responsibly and effectively and continues to provide a high quality of service to its customers at reasonable rates. In order to effectuate this high level of service, the Company made significant and prudent investments to its transmission and distribution systems, all the while experiencing cost increases which have impacted all industry sectors within the economy.

11. As of South Jersey's last base rate case, the Petitioner's Test Year end gross utility plant balance was $1.8 billion. Since that time, the Company has made over $462 million of additional capital investments and projects, and an additional $305 million will be invested by February 28, 2018, inclusive of AIRP II and SHARP investments. The primary driver of this case is a need to earn a fair return on the investments made so that the Company can continue to attract capital at reasonable rates and invest in the infrastructure necessary to continue providing safe and reliable service to its customers. Without appropriate rate relief in this proceeding, allowing a reasonable return of and return on these investments, South Jersey's ability to attract capital at reasonable rates may be impacted.

[2] Pursuant to Board Order in Docket No. GO13090814, the Company agreed to file its next base rate proceeding no later than October 2017.

12. As a result of these investments, SJG's system is the strongest it has ever been and customers have seen the benefits through increased safety and overall system reliability.

13. South Jersey has been dedicated to investing in its system to ensure that it is prepared for major storm events such as Superstorm Sandy. The Company has undertaken substantial efforts thus far and plans for future improvements as discussed further in the Direct Testimony of Mr. Zuccarino.

14. Specifically, as of November 30, 2016, the Company successfully completed the replacement of 81.9 miles of low pressure mains and over 9,300 associated services under its SHARP program, the total cost of which was approximately $89 million.

15. In addition, the Company has dramatically reduced its inventory of aging and leak prone infrastructure. Under the Company's originally approvedAIRP, which was recently extended (i.e., AIRP II), South Jersey has invested approximately $141.2 million replacing cast iron and unprotected bare steel mains and services as of August 31, 2016. Through AIRP II, the Company will invest an additional $302.5 million over the next five years. Due to the success of this program, the Company has reduced the estimated time frame for replacing its aging cast iron and bare steel infrastructure from 50 years to approximately 10 years. The Company anticipates that it will have eliminated all remaining bare steel and cast iron mains in its distribution system by 2021.

16. The Company plans to engage in ongoing, significant transmission and distribution system construction projects over the Test Year and post-Test Year period as further detailed in the Direct Testimony of Messrs. Fatzinger and Zuccarino. These major projects are necessary to improve South Jersey's transmission and distribution infrastructure, and maintain safety and reliability.

17. One such project includes the Company's pending proposal to replace a portion of its existing 12-inch Lawnside Pipeline in Camden County with a higher operating pressure, 16-inch distribution pipeline. The new line will enable the Company to more efficiently serve its customers in Camden and Burlington Counties and create added system reliability.

18. Since South Jersey's last base rate case in 2014, decreases in natural gas costs have enabled the Company to provide its customers with significant Basic Gas Supply Service (BGSS) bill credits totaling $30 million and an overall BGSS rate reduced by 45.5%. As a result of these gas cost reductions, the average South Jersey residential gas customer is now paying $229.00 less per year for natural gas compared to 2014. Moreover, by continuing to focus on delivery of the lowest cost gas possible to its customers, the customer impact associated with the Company's ongoing infrastructure investments have been more than offset by gas cost reductions. In fact, South Jersey's residential customer bills are lower today than they were fifteen years ago, even after giving effect to these major capital improvements.

19. Despite the Company's efforts to effectively manage costs while continuing to provide customers with safe and reliable service, ongoing infrastructure investments and related capital expenditures, combined with other expenses have necessitated this filing for rate relief. South Jersey intends to maintain its excellent quality of service while also having an opportunity to earn a reasonable return for our shareholders.

IV. SIGNIFICANT TEST YEAR ADJUSTMENTS

20. The Company has several significant Test Year adjustments that are required to account for implementation of South Jersey's EET, SHARP and AIRP programs. These adjustments are discussed below and in greater detail in the Direct Testimony of Mr. Barcia.

21. Pursuant to Board Order dated September 23, 2016 in Docket No. GR16040387 (the "SHARP Roll-In Order"), approximately $33.7 million of SHARP investments were rolled into base rates effective October 1, 2016. Additionally, pursuant to Board Order dated October 31, 2016 in Docket No. GR16020175 ("AIRP II and AIRP Rate Adjustment"), approximately $74.5 million of AIRP investments were rolled into base rates effective December 1, 2016. Therefore, two adjustments were required to normalize the Test Year related to the impact of the SHARP and AIRP Roll-Ins.

22. Also, as further detailed in Mr. Barcia's Direct Testimony, the Company has made an adjustment to reduce the additional revenue requirement by the projected base rate roll-ins associated with the SHARP and AIRP II rate adjustments that will occur on October 1, 2017, pursuant to their respective Board Orders.

23. In addition, South Jersey's Energy Efficiency Program provides rebates and no interest loans to customers for the installation of energy efficient equipment in their homes and businesses. Because this program and associated tracker (i.e. "EET") are designed to survive a base rate case, as further detailed in Mr. Barcia's testimony, adjustments were made to remove the revenue and O&M expenses associated with the EET.

24. Furthermore, Operating and Maintenance (O&M) expense adjustments were made to account for deferred and projected expenses related to the Company's compliance with the federally mandated Pipeline Integrity Management ("PIM") as well as other adjustments also discussed in the Direct Testimony of Mr. Barcia.

V. <u>CORPORATE GOVERNANCE</u>

25. Reliability and safety are the cornerstones of South Jersey's corporate philosophy and culture. In addition to providing excellent service to its customers, South Jersey strives to be

a good corporate citizen and has adopted planning concepts which are directed toward balancing the interests of all stakeholders, including its customers, shareholders and policy makers.

26. Recent examples of South Jersey's accomplishments in this area are discussed in greater detail in the testimony of Mr. David Robbins, Jr., President of the Company, including significant incremental capital investments in its system and its focus to concentrate on the replacement of aging bare steel and cast iron infrastructure under the Company's AIRP II.

27. Additional measures implemented by the Company, including SHARP and the Company's Energy Efficiency Programs ("EEP") further served to create jobs, reduce energy usage and provide greater system reliability.

28. In 2016, as part of the Company's ongoing commitment to strengthen and improve the overall customer experience and recognizing that its customers expect and deserve the best possible experience with South Jersey, the Company commenced a comprehensive Customer Experience (Cx) improvement initiative. The two key elements of this initiative include internal process changes that will improve the customer experience for new customers starting at the natural gas line installation phase, and improvements to the Company's billing and customer service departments for the benefit of all customers. The Cx initiative is discussed further in the Direct Testimony of David Robbins, Jr.

29. Moreover, South Jersey has made a commitment to building an infrastructure for natural gas vehicles to benefit business, consumers and the environment, and support the State's Energy Master Plan ("EMP") goals of promoting alternatively fueled vehicles. As such, in 2011, South Jersey began converting its fleet to Compressed Natural Gas ("CNG") and made a commitment to completely convert its fleet over the next 10 years. South Jersey introduced its 100th CNG vehicle to its fleet in May 2016 and will convert its entire fleet by 2020. CNG

vehicles are a critical part of the EMP and offer both environmental and cost benefits over diesel fuel vehicles. Once fully converted, the Company will have eliminated the use of approximately 457,000 gallons of gasoline per year and lowered its greenhouse gas emissions by 1,139 tons per year, the equivalent of taking 219 passenger cars off the road. In addition, South Jersey has undertaken a CNG station building program to not only provide a CNG fueling source for its fleet, but also to have stations available to the public in an effort to help stimulate the CNG market, as encouraged by the EMP. SJG has constructed and operates three CNG stations and plans to construct an additional three public access stations in 2017 that will be strategically located to serve the SJG fleet and other natural gas vehicle operators.

30. These initiatives further exemplify the environmental and energy efficiency principles that the Company strives to achieve.

VI. TARIFF PROPOSALS

31. The Company proposes a number of tariff changes discussed in the Direct Testimony of Mr. Barcia. Specifically, Mr. Barcia discusses certain CIP amendments, and proposed modifications to the Company's existing NGV tariff.

VII. OTHER REQUESTED RELIEF

32. As discussed further in the Direct Testimony of Mr. Kavanaugh, South Jersey is seeking Board authorization to defer, until the Company's next base rate case, the incremental pension and post-retirement healthcare expense that would result from the ability to capitalize only service costs, consistent with the Financial Accounting Standards Board ("FASB") Exposure Draft issued January 26, 2016 proposing significant amendments to the treatment of Pension and Postretirement Plan accounting and financial presentation (FASB Topic 715). In the

event that the Board does not approve deferred treatment of the incremental increase to pension and postretirement healthcare expenses associated with the inability to capitalize, the Company proposes to include an estimated annual cost as a pro forma adjustment to O&M expense, to be provided in a future case update filing.

33. As further explained in the Direct Testimony of Mr. Kavanaugh, the Company proposes to amortize over 15 years, certain expenses which the Company has deferred as a result of mortality table adjustments adopted by the Society of Actuaries on October 27, 2014. The 15 year amortization is appropriate because mortality table updates occur approximately every 15 years, and always move in the same direction (increased life expectancies).

34. As further explained in the testimony of Mr. Kavanaugh, the Company proposes to modify its existing funding requirement related to postretirement benefits other than pension costs ("PBOP"). The Company's current funding requirement was established in 1997 at approximately $3.6 million. Since the date of its establishment, the Company has experienced continuing decreases in the level of PBOP expenses. As a result, the Company proposes to modify its funding requirement to reflect test-year level expenses.

VIII. MISCELLANEOUS

35. South Jersey submits herewith, and incorporates as part hereof, all documents and exhibits required to accompany this Petition pursuant to N.J.A.C. 14:1-5.12, 14:1-4.1 and 14:1-5.1. Likewise, attached hereto and incorporated herein by reference, are the Direct Testimony (Exhibits) and Schedules submitted on behalf of the following witnesses:

a. David Robbins, Jr., President, whose testimony includes an overview of the Company and the primary issues driving the Company's filing in this case (Exhibit P-2);

b. Kenneth Barcia, Manager, Rates and Revenue Requirements, whose testimony supports the Company's revenue requirement calculation in this proceeding (Exhibit P-3);

c. Thomas S. Kavanaugh, Controller, whose testimony includes the historic financial statements, inter-company transactions, adjustments to the Test Year Income Statement, accounting proposals, and rate base related to deferred expenses, taxes and depreciation (Exhibit P-4);

d. Robert Fatzinger, PE, Senior Vice President, Engineering Services and System Integrity, whose testimony supports the necessary construction projects the Company engaged in since its last rate base proceeding (Exhibit P-5);

e. Paul J. Zuccarino, Senior Vice President, Distribution Operations, whose testimony includes a summary of the Company's capital expenditures and investments made by the Company not otherwise addressed by Mr. Fatzinger, including AIRP and SHARP investments (Exhibit P-6);

f. Kenneth Novak, Executive Director, Ernst & Young, LLP, whose testimony supports the Company's cash working capital request using a lead lag study methodology (Exhibit P-7);

g. Paul R. Moul, Managing Consultant, P. Moul & Associates, whose testimony addresses the recommended cost of equity and overall rate of return for the Company (Exhibit P-8);

h. Daniel P. Yardley, Principal, Yardley & Associates, whose testimony includes a cost of service study and rate design based on the Company's revenue requirement (Exhibit P-9); and

i. Michael J. Reno, Ernst & Young, LLP, whose testimony supports the inclusion of the Company's deferred tax asset in rate base (Exhibit P-10).

36. Notice of this filing and three (3) copies of the filing have been served upon Stefanie A. Brand, Director, Division of Rate Counsel, 140 East Front Street, 4th Floor, P.O. Box 003, Trenton, New Jersey 08625.

37. Notice of this filing and two (2) copies of the filing have been served upon the Department of Law and Public Safety, 124 Halsey Street, P.O. Box 45029, Newark, NJ 07102.

38. Notice of this filing, and the effect thereof will be served by mail upon the clerks of the respective municipalities and counties within Petitioner's service area at least twenty (20)

days prior to the date set for the initial hearing, which notice shall include and specify the time and place of said hearing. A list of said municipalities and counties is contained in Schedule KJB-23 of Mr. Barcia's Direct Testimony. A copy of the form of notice is included herewith.

39. Customers will be notified of this filing and the effect thereof as well as the time and place of the initial hearing, by publication, at least twenty (20) days prior to the date set for the initial hearing, in newspapers of general circulation within the Petitioner's service territory.

40. Proof of service of the notices as previously referred to herein will be filed with the Board.

41. The reasons for the proposed rate increases and other relief requested by Petitioner in this Petition are as follows:

a. To be allowed to earn on investments made in facilities required to provide safe, adequate and proper service to existing and new customers of the Petitioner, which have been put into service since the end of the June 30, 2014 test year utilized in the Company's last base rate case, underlying current rates. These facilities are not currently included in rate base and the Petitioner currently bears carrying charges and depreciation associated with these facilities.

b. To recover increased costs, not previously recovered in rates.

c. To permit South Jersey to earn an adequate rate of return on its current net investment in used and useful utility property.

d. To establish rates which will be sufficient to enable South Jersey, under efficient and economical operation, to maintain and support its financial integrity and to raise and maintain such additional capital as may be necessary at a reasonable cost for the proper discharge of its public duty.

e. To offset such increases as may occur in operating expenses and to maintain adequate levels of cash flow.

f. To enable Petitioner to continue to furnish safe, adequate and proper service, to maintain existing facilities, and to provide such additional facilities as may be necessary to discharge its public duties.

42. Petitioner respectfully submits that the rates, tariff modifications and other relief requested by it are in all respects just and reasonable.

WHEREFORE, Petitioner respectfully requests the Board find and determine as follows:

a. That the rates presently in effect are unjust and unreasonable;

b. That the proposed rates sought herein are just and reasonable and should be applied; and

c. That Petitioner have such other and further relief as the Board may deem just, reasonable and proper under the circumstances presented to it in this case.

Respectfully submitted,

SOUTH JERSEY GAS COMPANY

By: Ira G. Megdal
Ira G. Megdal
Cozen & O'Connor

Dated: January 27, 2017

Communications addressed to
the Petitioner in this case should
be sent to:

Ira G. Megdal, Esq.
Cozen O'Connor P.C.
457 Haddonfield Road
Suite 300
Cherry Hill, NJ 08002
imegdal@cozen.com

and

Stacy A. Mitchell, Esq.
Regulatory Affairs Counsel
South Jersey Gas Company
1 South Jersey Plaza
Folsom, NJ 08037
smitchell@sjindustries.com

VERIFICATION

I, Stacy A. Mitchell, of full age, being duly sworn according to law, upon my oath, depose and say:

1. I am Regulatory Affairs Counsel for South Jersey Gas Company and I am authorized to make this verification on behalf of the Company.

2. I have reviewed the within petition and the information contained therein is true according to the best of my knowledge, information and belief.

Stacy Mitchell

STACY A. Mitchell

Sworn to and subscribed
before me this 27 day
of January 2017

Carolyn A Jacobs

CAROLYN A. JACOBS
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires October 28, 2018

NOTICE OF FILING OF PETITION
AND PUBLIC HEARING

IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY FOR APPROVAL OF INCREASED BASE TARIFF RATES AND CHANGES FOR GAS SERVICE AND OTHER TARIFF REVISIONS

BPU DOCKET NO. ____________
OAL DOCKET NO. PUC _____________-2017 N

NOTICE IS HEREBY GIVEN that on January 27, 2017, South Jersey Gas Company ("South Jersey" or the "Company") filed a Petition with the New Jersey Board of Public Utilities (the "Board") in Docket No. _________________, together with revised tariff sheets seeking to increase rates for gas service and implement other Tariff revisions. These changes were proposed to become effective for service rendered on or after February 28, 2017, or at such later date as the Board may determine. Based on the Company's total projected operating revenues for the twelve months ending August 31, 2017, the new rates proposed herein will yield additional operating revenues of approximately $74,874,738 million or 15.3% (after giving effect to: (1) the roll-in of the Company's Conservation Incentive Program ("CIP") revenues, adjusted for Sales and Use Tax ("SUT"); and (2) the roll-ins to base rates for the Company's Storm Hardening and Reliability Program ("SHARP") and Accelerated Infrastructure Replacement Program ("AIRP") to take place on October 1, 2017, outside of this base rate case).

The actual percent increase to specific customers will vary according to the applicable rate schedule and the level of the customer's usage. The rate changes proposed in the Petition will result in a rate increase for a typical residential customer using 100 therms of gas per month of $20.28 or 16.6%. The typical commercial customer using 500 therms of gas per month would receive an increase of $97.86 or 18.8%. Moreover, any rate relief found by the Board to be just and reasonable may be allocated by the Board and applied by the Company to any class or classes of customers or any rate schedule or rate schedules as the Board may determine so that final rates approved by the Board in this proceeding for any specific customer class or rate schedule may be higher or lower than those set forth herein.

The chart below demonstrates the impact of the proposed rates on select customer classes experiencing rate changes to which an allocation of base revenue has been proposed. The below assumes that rates will be adjusted October 1, 2017, after giving effect to the Company's CIP, SHARP and AIRP roll-ins in accordance with the Board Orders approving these programs, prior to this rate change implementation:

		Rates		Change	
Customer Class	**Therm Level**	**October 1, 2017 Bill**	**Proposed Bill**	**Amount**	**Percentage**
Residential Heat	100	$121.96	$142.24	$20.28	16.6%
General Service	500	$521.40	$619.26	$97.86	18.8%

In addition to actual rate changes, the Company is proposing other changes and additions to its Tariff. These changes include, but are not limited to, changes to various rate schedules including, General Service-Large Volume (GSG-LV), Large Volume Service (LVS), Interruptible General Service (IGS), Natural Gas Vehicle (NGV), Rider "F" –Temperature Adjustment Clause, Rider "M" –Conservation Incentive Program (CIP), General Terms and Conditions, and the Company's General Service (GS), Large Volume (LV), Firm Electric Service (FES), and Aggregator/Marketer (A/M) Standard Gas Service Agreements.

Copies of the Company's filing are available for inspection at the Company's offices located at One South Jersey Plaza, Folsom, New Jersey 08037, or at the Board of Public Utilities, 44 South Clinton Avenue, 3rd floor, Trenton, New Jersey 08625-0350. The Company's filing may also be found on the South Jersey website at www.southjerseygas.com/About-South-Jersey-Gas/Regulatory-Compliance-Tariff-Information/aspx.

PLEASE TAKE FURTHER NOTICE that the BPU will conduct public hearings for the purpose of receiving comments from the public regarding the Petition. Public hearings will be held at the following times and location:

_____________, 2017 at 4:30 p.m. and 5:30 p.m.
Voorhees Township, Municipal Court
Voorhees Town Center
Voorhees, New Jersey 08043
(located directly across from Township Library at 203 Laurel Road)

The public is invited to attend and interested persons will be permitted to testify and/or make a statement of their views on the proposed increases. In order to encourage full participation in this opportunity for public comment, please submit any requests for needed accommodations, including interpreter, listening devices or mobility assistance, 48 hours prior to these hearings. In addition, members of the public may submit written comments concerning the petition to the BPU regardless of whether they attend a hearing by addressing them to: Honorable Irene Kim Asbury, Secretary, Board of Public Utilities, 44 S. Clinton Avenue, Trenton, New Jersey 08625.

SOUTH JERSEY GAS COMPANY

BY: DAVID ROBBINS, JR., PRESIDENT

TARIFF FOR GAS SERVICE

Filed With

State of New Jersey

Board of Public Utilities

SOUTH JERSEY GAS COMPANY

GENERAL OFFICES

Number One South Jersey Plaza

Folsom, NJ 08037

TABLE OF CONTENTS

LIST OF COMMUNITIES SERVED

ATLANTIC COUNTY

Absecon, City of
Atlantic City
Brigantine City
Buena Boro
Buena Vista Township
Egg Harbor City
Egg Harbor Township
Estell Manor, City of
Folsom Boro
Galloway Township
Hamilton Township
Hammonton, Town of
Linwood, City of
Longport Boro
Margate City
Mullica Township
Northfield, City of
Pleasantville, City of
Port Republic, City of
Somers Point, City of
Ventnor City
Weymouth Township

BURLINGTON COUNTY

Evesham Township
Medford Lakes Boro
Medford Township
Shamong Township
Tabernacle Township
Woodland Township

CAMDEN COUNTY

Barrington Boro
Berlin Boro
Berlin Township
Cherry Hill Township
Chesilhurst Boro
Clementon Boro
Gibbsboro Boro
Gloucester Township
Hi-Nella Boro
Laurel Springs Boro
Lawnside Boro
Lindenwold Boro
Magnolia Boro
Pine Hill Boro
Runnemede Boro
Somerdale Boro
Stratford Boro
Voorhees Township
Waterford Township
Winslow Township

LIST OF COMMUNITIES SERVED
(Continued)

CAPE MAY COUNTY

Avalon Boro
Cape May City
Cape May Point Boro
Dennis Township
Lower Township
Middle Township
North Wildwood City
Ocean City
Sea Isle City
Stone Harbor Boro
Upper Township
West Cape May Boro
West Wildwood Boro
Wildwood City
Wildwood Crest Boro
Woodbine Boro

CUMBERLAND COUNTY

Bridgeton, City of
Commercial Township
Deerfield Township
Downe Township
Fairfield Township
Greenwich Township
Hopewell Township
Lawrence Township
Maurice River Township
Millville, City of
Shiloh Boro
Stow Creek Township
Upper Deerfield Township
Vineland, City of

GLOUCESTER COUNTY

Clayton Boro
Deptford Township
East Greenwich Township
Elk Township
Franklin Township
Glassboro Boro
Greenwich Township
Harrison Township
Logan Township
Mantua Township
Monroe Township
Newfield Boro
Paulsboro Boro
Pitman Boro
South Harrison Township
Swedesboro Township
Washington Township
Wenonah Boro
West Deptford Township
Woodbury, City of
Woodbury Heights Boro
Woolwich Township

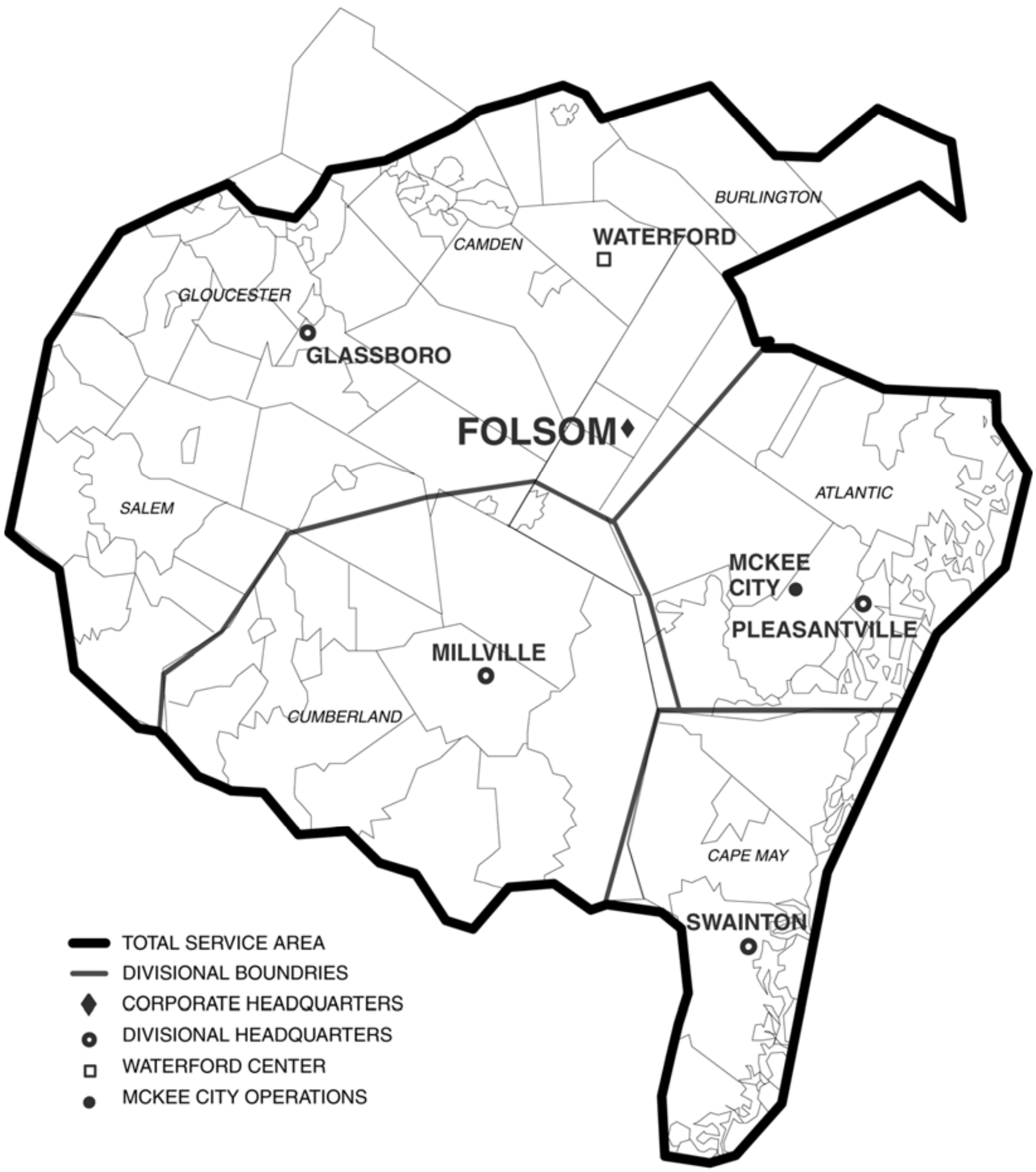
SALEM COUNTY

Alloway Township
Carneys Point Township
Elmer Boro
Elsinboro Township
Mannington Township
Oldmans Township
Penns Grove Boro
Pennsville Township
Pilesgrove Township
Pittsgrove Township
Quinton Township
Salem, City of
Upper Pittsgrove
Woodstown Boro

South Jersey Gas

Where we put all of our energy®

Service Area and Divisional Boundries



RESIDENTIAL SERVICE (RSG)

APPLICABLE TO USE OF SERVICE FOR:

All residential purposes. Customer may elect Firm Sales Service or Firm Transportation Service. To be eligible for Firm Transportation Service RSG, a customer must hold clear and marketable title to gas that is made available for delivery to the customer's residence on the Company's system.

CHARACTER OF SERVICE Firm Sales Service and Firm Transportation Service.

MONTHLY RATE: (1)

Customer Charge: $9.618800 per month

Delivery Charge:

(a) All consumption for customers who elected to transfer from Firm Sales Service to Firm Transportation Service $.674807 per therm

(b) All consumption for customers who elect Firm Sales Service $.674807 per therm

Basic Gas Supply Service ("BGSS") Charge:

All consumption for customers who elect Firm Sales Service. See Rider "A" of this Tariff.

APPLICABLE RIDERS:

Basic Gas Supply Service Clause:	BGSS charges are depicted in Rider "A" of this Tariff.
Transportation Initiation Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "C" of this Tariff.
Societal Benefits Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "E" of this Tariff.
Temperature Adjustment Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "F" of this Tariff.

1) Please refer to Appendix A for components of Monthly Rates and Price to Compare

RESIDENTIAL SERVICE (RSG)
(Continued)

Balancing Service Clause	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "J" of this Tariff.
Conservation Incentive Program	CIP charges are depicted in Rider "M" of this Tariff.
Energy Efficiency Tracker	The rates set forth above are subject to adjustment, as is appropriate, pursuant to Rider "N" of this Tariff.

TERMS OF PAYMENT:

Payment of all bills must be received in full at the Company's designated office within fifteen (15) days of the billing date.

LINE LOSS:

Line Loss shall be 1.43% as provided in Special Provision (l).

TERM:

Customer must provide Company with adequate notice to discontinue service.

TERMS AND CONDITIONS:

The General Terms and Conditions of this Tariff are incorporated into this rate schedule and this rate schedule shall be interpreted in accordance therewith.

SPECIAL PROVISIONS:

(a) A customer receiving service under this rate schedule may use natural gas to heat water for recreational and therapeutic equipment (including but not limited to swimming pools, hot tubs or similar equipment), subject to the Board's policy regarding such use.

(b) To be eligible for Firm Transportation Service under this Rate Schedule RSG a Firm Transportation Service customer must be part of an aggregated group ("Aggregated Group") of customers, utilizing the services of an Aggregator/Marketer pursuant to an executed Aggregator/Marketer's Agreement.

(c) The Company will not accept gas for the account of a Firm Transportation Service customer for delivery that will: (1) adversely impact the Company's rights to current or future supply or transportation allocations; or (2) impose any financial or burdensome administrative obligation on the Company that would not have existed without acceptance of such delivery by the Company.

RESIDENTIAL SERVICE (RSG)
(Continued)

(d) The Aggregator/Marketer for a Firm Transportation Service customer shall be required to reimburse the Company for any out-of-pocket expenses incurred in connection with the initiation and rendering of service under this Rate Schedule RSG. If the Company has accepted gas for delivery under this Rate Schedule RSG and as a result thereof it incurs any financial or burdensome administrative obligation, the Company may impose a surcharge upon the Aggregator/Marketer therefore.

(e) For Firm Transportation Service customers, the Company may waive any charges associated with imbalances, in its sole reasonable discretion, if the Aggregator/Marketer demonstrates good cause for such imbalances, if the Aggregator/Marketer presents a plan for eliminating such imbalances, and such plan will not adversely impact service to other customers. The Company may require that such plan be implemented in full, and completed, within a time period specified by the Company in order for such a waiver to take place.

(f) An Aggregator/Marketer for Firm Transportation Service customers must execute an Aggregator/Marketer agreement prior to the Company's providing service to an aggregated group represented by said Aggregator/Marketer.

(g) Firm Transportation Service customers being served under this Rate Schedule RSG may switch to Firm Sales Service under Rate Schedule RSG. In order to bring about such a switch, the customer must notify the Company on or before the tenth (10th) day of the calendar month preceding the month during which the customer wishes to switch to Firm Sales Service under this Rate Schedule RSG. Provided, however, that nothing in this Special Provision (i) concerning customer's exercise of a right to switch to Firm Sales Service under this Rate Schedule RSG shall change or nullify any contractual obligation of the customer to an Aggregator/Marketer.

(h) An Aggregator/Marketer for Firm Transportation Service customers may determine that it wishes to cease service to a customer under this Rate Schedule RSG. In such case the Aggregator/Marketer must notify the Company on or before the tenth (10th) day of the calendar month preceding the calendar month during which said Aggregator/Marketer's service shall cease. In such case, the customer will switch to Firm Sales Service under Rate Schedule RSG, effective during the month following receipt of notice. Until such time, the Aggregator/Marketer must continue to provide service. In such event any Excess Imbalances or Deficiency Imbalances pursuant to Rider "J" of this Tariff, associated with the customer, will remain the responsibility of the Aggregator/Marketer. Provided, however, that nothing in this Special Provision (j) concerning Aggregator/Marketer's cessation of service shall change or nullify any contractual obligation of the Aggregator/Marketer to the customer.

(i) For Firm Transportation Service customers, all charges under Rider "J" of this Tariff as well as the Aggregator/Marketer's Fee, but excluding the BS-1 Volumetric Charge, will be invoiced to the Aggregator/Marketer, in accordance with the Aggregator/Marketer's Agreement. The BS-1 Volumetric Charge will be invoiced directly to the customer.

Issued November 29, 2013 **Effective with service rendered**
by South Jersey Gas Company, **on and after October 1, 2014**
J. DuBois, President

Filed pursuant to Order in Docket No. GR13111137 of the Board of Public Utilities, State of New Jersey, dated September 30, 2014

RESIDENTIAL SERVICE (RSG)
(Continued)

(j) If a customer contacts the Company inquiring about Firm Transportation Service under this Rate Schedule RSG, the Company will supply the customer with a letter explaining the nature of Firm Transportation Service under this Rate Schedule RSG. That letter, in turn, will enclose: (a) a list of natural gas Aggregators/Marketers; and (b) a letter provided by the Board of Public Utilities related to residential transportation service.

(k) To be eligible to provide Aggregator/Marketer services under this Rate Schedule RSG, each Aggregator/Marketer for Firm Transportation Service customers must comply with all Board approved Marketer Standards, and all other rules and regulations of the Board applicable to Aggregator/Marketers.

(l) For Firm Transportation Service customers the receipt of gas by the Company for transportation under this Rate Schedule RSG shall equal the delivery of said gas to the customer on a daily basis, less a percentage for line loss. The line loss factor to be utilized will be the Company-wide line loss percentage.

GENERAL SERVICE (GSG)

APPLICABLE TO USE OF SERVICE FOR:

All Commercial and Industrial Customers who would not qualify for any other Rate Schedule. A customer qualifying for service under Rate Schedule GSG may elect either Firm Sales Service or Firm Transportation Service. To be eligible for Firm Transportation Service under this Rate Schedule GSG, a customer must hold clear and marketable title to gas that is made available for delivery to customer's facility on the Company's system.

CHARACTER OF SERVICE:

Firm Sales Service or Firm Transportation Service.

MONTHLY RATE: [1]

Customer Charge:

$29.123400 per month

Delivery Charges:

(a) All consumption for customers who elected to transfer from Sales Service to Firm Transportation Service

All therms $.555208 per therm

(b) All consumption for customers who elect Firm Sales Service

All therms $.555208 per therm

Basic Gas Supply Service ("BGSS") Charge:

All consumption for customers who elect Firm Sales Service — See Rider "A" of this Tariff.

LINE LOSS:

Line Loss shall be 1.43% as provided in Special Provision (o).

[1] Please refer to Appendix A for components of Monthly Rates and Price to Compare.

GENERAL SERVICE (GSG)
(Continued)

APPLICABLE RIDERS:

Basic Gas Supply Service Clause:	BGSS charges are depicted in Rider “A” of this Tariff.
Transportation Initiation Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider “C” of this Tariff.
Societal Benefits Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider “E” of this Tariff.
Temperature Adjustment Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider “F” of this Tariff.
Balancing Service Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider “J” of this Tariff.
Conservation Incentive Program	CIP charges are depicted in Rider “M” of this Tariff.
Energy Efficiency Tracker	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider “N” of this Tariff.

TERMS OF PAYMENT:

Payment of all bills must be received in full at the Company's designated office within fifteen (15) days of the billing date; provided however, the Company shall take into account any postal service delays of which the Company is advised. If the fifteenth (15th) day falls on a nonbusiness day, the due date shall be extended to the next business day. Should the customer fail to make payment as specified, the Company may, beginning on the twenty-sixth (26th) day, assess simple interest at a rate equal to the prime rate as published in the Money Rates column in The Wall Street Journal. A late payment charge shall not be assessed on a residential customer, or on State, county or municipal government entities.

TERM:

Customer may discontinue service upon written notice to the Company, pursuant to the terms of the Company’s Standard Gas Service Agreement (GS), if applicable, otherwise, in order to effectuate a termination, customer must provide adequate notice to the Company.

GENERAL SERVICE (GSG)
(Continued)

TERMS AND CONDITIONS:

The General Terms and Conditions of this Tariff are incorporated into this rate schedule and this rate schedule shall be interpreted in accordance therewith.

SPECIAL PROVISIONS:

(a) The Company may require, as a condition precedent to the receipt of service under this Rate Schedule GSG, that an eligible customer execute a Standard Gas Service Agreement (GS), to indicate, among other things, the customer's minimum and maximum capability to utilize gas used under Rate Schedule GSG, and the levels of firm and interruptible service provided.

(b) Due to system constraints, the Company may instruct some or all GSG Firm Sales Service or Firm Transportation Service customers not to exceed the stated Maximum Capability in the Standard Gas Service Agreement (GS) during a given twenty-four (24) hour period. Said instruction may be given orally or in writing. Any customer who then uses in excess of its Maximum Capability may be subject to an additional charge (in addition to the charges set forth in the Monthly Rate Section of this Rate Schedule GSG). Such additional charge shall equal ten (10) times the highest price of the daily ranges for that month that are published in the Gas Daily in the table “Daily Price Survey” for delivery to “Transco, zone 6 non-N.Y.”. This charge shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of Transcontinental Gas Pipe Line Corporation. Provided, however, that the Company may waive such charges if a customer demonstrates extenuating circumstances. The imposition of such additional charges shall not restrict the Company's right to interrupt or curtail this service.

(c) If during any month a Firm Sales Service or Firm Transportation Service customer having Alternate Fuel Capability utilizes gas in excess of the stated Maximum Capability in the Standard Gas Service Agreement (GSG), multiplied by the number of days in that month, or if applicable, a larger amount authorized by the Company, such excess shall be deemed utilized for interruptible uses, and may be billed pursuant to Rate Schedule IGS or ITS, as applicable.

(d) If during any month a Firm Sales Service or Firm Transportation Service customer without Alternate Fuel Capability utilizes gas in excess of the stated Maximum Capability in the Standard Gas Service Agreement (GSG), multiplied by the number of days in that month, or if applicable, a larger amount authorized by the Company, such customer may be subject to an additional charge (in addition to the charges set forth in the Monthly Rate Section of this Rate Schedule GSG). Such additional charge shall equal ten (10) times the highest price of the daily ranges for that month that are published in the Gas Daily in the table “Daily Price Survey” for delivery to “Transco, zone 6 non-N.Y.”, multiplied by the number of days in that month. This daily charge shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of Transcontinental Gas Pipe Line Corporation. Provided, however, that the Company may waive such charges if a customer demonstrates extenuating circumstances. The imposition of such additional charges shall not restrict the Company’s right to interrupt or curtail this service.

GENERAL SERVICE (GSG)
(Continued)

(e) A customer receiving service under this rate schedule may use natural gas to heat water for recreational and therapeutic equipment (including but not limited to swimming pools, hot tubs or similar equipment), subject to the Board's policy regarding such use.

(f) The Company will not accept gas for delivery to Firm Transportation Service customers that will: (1) adversely impact the Company's rights to current or future supply or transportation allocations; or (2) impose any financial or burdensome administrative obligation on the Company that would not have existed without acceptance of such delivery by the Company.

(g) The Firm Transportation Service customer bears sole responsibility for costs incurred to deliver customer owned gas to the Company's City Gate Station and to provide interstate pipeline capacity.

(h) The Firm Transportation Service customer shall be required to reimburse the Company for any out-of-pocket expenses incurred in any financial or burdensome administrative obligation; the Company may impose a surcharge therefore.

(i) RESERVED FOR FUTURE USE.

(j) The Company may install an electronic data collection system pursuant to Section 6.1 of the General Terms and Conditions of this Tariff to record the customer's consumption patterns required for billing purposes. The Company shall provide technical assistance in order to minimize the customer's expense for such installation.

(k) Firm Transportation Service customers may not arrange for delivery to the Company, on any day, of gas volumes in excess of customer's then applicable daily DCQ unless authorized to do so by the Company; provided, however, that said excess deliveries may be authorized by the Company to cure a Deficiency Imbalance.

(l) For Firm Transportation Service customers, the existence of imbalances as defined in Rider "J" will be determined each day. If at the beginning of a day a customer has an imbalance, the gas to fulfill that customer's daily DCQ for that day will be the first gas through the City Gate Station for the customer's account on that day. Gas to correct existing imbalances will be considered as the last gas coming through the City Gas Station for that customer's account on that day.

(m) RESERVED FOR FUTURE USE.

(n) A Firm Transportation Service customer scheduling gas for delivery may not schedule less than one dekatherm of gas for delivery under this Rate Schedule GSG on any day. All scheduling must be done in whole number dekatherms and not in fractions thereof.

(o) For Firm Transportation Service customers the receipt of gas by the Company for transportation under this Rate Schedule GSG shall equal the delivery of said gas to the customer on a daily basis, less a percentage for line loss. The line loss factor to be utilized will be the Company-wide line loss percentage.

GENERAL SERVICE – LARGE VOLUME (GSG-LV)

APPLICABLE TO USE OF SERVICE FOR:

All Commercial and Industrial Customers who would not qualify for any other Rate Schedule (other than Rate Schedule GSG), and who has an annualized usage of 100,000 therms or more,. A customer qualifying for service under Rate Schedule GSG-LV may elect either Firm Sales Service or Firm Transportation Service. To be eligible for Firm Transportation Service under this Rate Schedule GSG-LV, a customer must hold clear and marketable title to gas that is made available for delivery to customer's facility on the Company's system.

CHARACTER OF SERVICE:

Firm Sales Service or Firm Transportation Service.

MONTHLY RATE: (1)

Customer Charge:

$160.312500 per month

Delivery Charges:

(a) All consumption for customers who elected to transfer from Sales Service to Firm Transportation Service (2)

Demand Charge:
D-1FT: $9.618800 per Mcf of Contract Demand

Volumetric Charge:
C-1FT: $.344683 per therm

(b) All consumption for customers who elect Firm Sales Service

Demand Charge:
D-1: $9.618800 per Mcf of Contract Demand

Volumetric Charge:
C-1: $.344683 per therm

(1) Please refer to Appendix A for components of Monthly Rates and Price to Compare.
(2) See Special Provision (p) of this Rate Schedule GSG-LV, regarding appropriate balancing charges.

GENERAL SERVICE (GSG-LV)
(Continued)

Basic Gas Supply Service ("BGSS") Charge:

All consumption for customers who elect Firm Sales Service	See Rider "A" of this Tariff.

LINE LOSS:

Line Loss shall be 1.43% as provided in Special Provision (o).

APPLICABLE RIDERS:

Basic Gas Supply Service Clause:	BGSS charges are depicted in Rider "A" of this Tariff.
Transportation Initiation Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "C" of this Tariff.
Societal Benefits Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "E" of this Tariff.
Temperature Adjustment Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "F" of this Tariff.
Balancing Service Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "J" of this Tariff. However, see also Special Provision (l) regarding Rider "I".
Conservation Incentive Program	CIP charges are depicted in Rider "M" of this Tariff.
Energy Efficiency Tracker	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "N" of this Tariff.

Issued November 29, 2013 **Effective with service rendered**
by South Jersey Gas Company, **on and after October 1, 2104**
J. DuBois, President

Filed pursuant to Order in Docket No. GR13111137 of the Board of Public Utilities, State of New Jersey, dated September 30, 2014

GENERAL SERVICES (GSG-LV)
(Continued)

TERMS OF PAYMENT:

Payment of all bills must be received in full at the Company's designated office within fifteen (15) days of the billing date; provided however, the Company shall take into account any postal service delays of which the Company is advised. If the fifteenth (15th) day falls on a nonbusiness day, the due date shall be extended to the next business day. Should the customer fail to make payment as specified, the Company may, beginning on the twenty-sixth (26th) day, assess simple interest at a rate equal to the prime rate as published in the Money Rates column in The Wall Street Journal. A late payment charge shall not be assessed on a residential customer, or on State, county or municipal government entities.

TERM:

Customer may discontinue service upon written notice to the Company, pursuant to the terms of the Company's Standard Gas Service Agreement (GS), if applicable; otherwise, in order to effectuate a termination, customer must provide adequate notice to the Company.

TERMS AND CONDITIONS:

The General Terms and Conditions of this Tariff are incorporated into this rate schedule and this rate schedule shall be interpreted in accordance therewith.

SPECIAL PROVISIONS:

(a) The Company may require, as a condition precedent to the receipt of service under this Rate Schedule GSG-LV, that an eligible customer execute a Standard Gas Service Agreement (GS), to indicate, among other things, the customer's minimum and maximum capability to utilize gas under Rate Schedule GSG-LV; the levels of firm and interruptible service; and the customer's Contract Demand.

(b) Due to system constraints, the Company may instruct some or all GSG Firm Sales Service or Firm Transportation Service customers not to exceed the stated Contract Demand in the Standard Gas Service Agreement (GS) during a given twenty-four (24) hour period. Said instruction may be given orally or in writing. Any customer who then uses in excess of its Contract Demand may be subject to an additional charge (in addition to the charges set forth in the Monthly Rate Section of this Rate Schedule GSG-LV). Such additional charge shall equal ten (10) times the highest price of the daily ranges for that month that are published in the Gas Daily in the table "Daily Price Survey" for delivery to "Transco, zone 6 non-N.Y.". This charge shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of Transcontinental Gas Pipe Line Corporation. Provided, however, that the Company may waive such charges if a customer demonstrates extenuating circumstances. The imposition of such additional charges shall not restrict the Company's right to interrupt or curtail this service.

(c) If during any month a Firm Sales Service or Firm Transportation Service customer having Alternate Fuel Capability utilizes gas in excess of the stated Contract Demand in the Standard Gas Service Agreement (GS), multiplied by the number of days in that month, or if applicable, a larger amount authorized by the Company, such excess shall be deemed utilized for interruptible uses, and may be billed pursuant to Rate Schedule IGS or ITS, as applicable.

GENERAL SERVICES (GSG-LV)
(Continued)

(d) If during any month a GSG-LV customer having no Alternate Fuel Capability utilizes gas in excess of its Contract Demand, as stated in the Standard Gas Service Agreement (GS), multiplied by the number of days in the month, then in addition to the Customer Charge, Volumetric Charges, and Applicable Riders set forth in the Monthly Rate Section of this Rate Schedule GSG-LV: the customer's average daily gas consumption for the month will be utilized as a surrogate for the daily Contract Demand when calculating the Demand Charge for the customer's bill for that month.

(e) Beginning with the effective date of this Rate Schedule GSG-LV, a customer's Contract Demand shall be determined based upon the customer's average daily usage for the month of the highest monthly usage during the preceding twelve months, subject to normalization if appropriate. Estimated data may be used as a surrogate when actual data is not available. The average daily usage shall be determined for each billing month based upon usage divided by the number of days in the billing month. The customer's Contract Demand shall be reviewed and adjusted no less frequently than annually. When the Company adjusts the Contract Demand, it shall be adjusted to the nearest Mcf. Contract Demand may be incorporated into a Standard Gas Service Agreement (GS). However, the Contract Demand shall be effective irrespective of whether it is incorporated into a Standard Gas Service Agreement (GS).

(f) A customer receiving service under this rate schedule may use natural gas to heat water for recreational and therapeutic equipment (including but not limited to swimming pools, hot tubs or similar equipment), subject to the Board's policy regarding such use.

(g) The Company will not accept gas for delivery to Firm Transportation Service customers that will: (1) adversely impact the Company's rights to current or future supply or transportation allocations; or (2) impose any financial or burdensome administrative obligation on the Company that would not have existed without acceptance of such delivery by the Company.

(h) The Firm Transportation Service customer bears sole responsibility for costs incurred to deliver customer owned gas to the Company's City Gate Station and to provide interstate pipeline capacity.

(i) The Firm Transportation Service customer shall be required to reimburse the Company for any out-of-pocket expenses incurred in any financial or burdensome administrative obligation; the Company may impose a surcharge therefore.

(j) The Company may install an electronic data collection system pursuant to Section 6.1 of the General Terms and Conditions of this Tariff. The Company shall provide technical assistance in order to minimize the customer's expense for such installation.

(k) Firm Transportation Service customers may not arrange for delivery to the Company, on any day, of gas volumes in excess of customer's then applicable DCQ (or the quantity of gas burned daily if the Rider "I" customer has no DCQ) unless authorized to do so by the Company; provided, however, that said excess deliveries may be authorized by the Company to cure a Deficiency Imbalance.

Issued November 29, 2013 **Effective with service rendered**
by South Jersey Gas Company, **on and after October 1, 2014**
J. DuBois, President

Filed pursuant to Order in Docket No. GR13111137 of the Board of
Public Utilities, State of New Jersey, dated September 30, 2014

GENERAL SERVICES (GSG-LV)
(Continued)

(l) For Firm Transportation Service customers, the existence of imbalances as defined in Rider “I” or Rider “J” will be determined each day. If at the beginning of a day a customer has an imbalance, the gas to fulfill that customer’s DCQ (or the quantity of gas burned on that day for a Rider “I” customer who has no DCQ) for that day will be the first gas through the City Gate Station for the customer’s account on that day. Gas to correct existing imbalances will be considered as the last gas coming through the City Gas Station for that customer’s account on that day.

(m) RESERVED FOR FUTURE USE.

(n) A Firm Transportation Service customer scheduling gas for delivery may not schedule less than one dekatherm of gas for delivery under this Rate Schedule GSG-LV on any day. All scheduling must be done in whole number dekatherms and not in fractions thereof.

(o) For Firm Transportation Service customers the receipt of gas by the Company for transportation under this Rate Schedule GSG-LV shall equal the delivery of said gas to the customer on a daily basis, less a percentage for line loss. The line loss factor to be utilized will be the Company-wide line loss percentage.

(p) The rates set forth in the Delivery Charge section of this Rate Schedule GSG-LV assume that the customer receives balancing service under Rider “J” to this Tariff. If the customer selects balancing service under Rider “I” of this Tariff, then the Delivery Charges will be adjusted to reflect the Rider “I” Charges.

Issued November 29, 2013 Effective with service rendered
by South Jersey Gas Company, on and after October 1, 2014
J. DuBois, President

Filed pursuant to Order in Docket No. GR13111137 of the Board of
Public Utilities, State of New Jersey, dated September 30, 2014

COMPREHENSIVE TRANSPORTATION SERVICE (CTS)

APPLICABLE TO USE OF SERVICE FOR:

All customers having a Firm Contract Demand, and an average annual daily Firm usage of 100 Mcf per day or more. To be eligible for service under this Rate Schedule CTS, a customer must hold clear and marketable title to gas that is made available for delivery to customer's facility on the Company's system. Provided, however, that any customer receiving service under this Rate Schedule CTS prior to August 29, 2003 shall continue to be eligible to receive service under this Rate Schedule CTS, notwithstanding the foregoing, if said customers continues to have a Firm Contract Demand of 100 Mcf per day or more. Further provided, however, that if a customer ceases to receive service under this Rate Schedule CTS, and seeks to return to service under this Rate Schedule CTS, said customer must meet all requirements for eligibility as though applying for service in the first instance.

CHARACTER OF SERVICE:

Firm Transportation Service and Limited Firm Transportation Service

MONTHLY RATE: [1]

Firm:

Customer Charge: $641.250000 per month

Delivery Charges:

Demand Charge: D-1FT: $29.306500 per Mcf of Contract Demand

Volumetric Charges:

C-1FT:

All consumption for customers who elected to transfer from Sales Service to Firm Transportation Service $.091352 per therm

Limited Firm:

Customer Charge: $106.875000 per month

Delivery Charges:

Volumetric Charges:

C-1FT:

All consumption for customers who elected to transfer from Sales Service to Firm Transportation Service $.102871 per therm

[1] Please refer to Appendix A for components of Monthly Rates.

COMPREHENSIVE TRANSPORTATION SERVICE (CTS)
(Continued)

APPLICABLE RIDERS:

Societal Benefits Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "E" of this Tariff.
Balancing Service Clause:	All gas delivered to Customers under this Rate Schedule CTS is subject to Rider "I" of this Tariff
Energy Efficiency Tracker:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "N" of this Tariff.

LINE LOSS:

Line loss shall be 1.43% as provided in Special Provision (q).

MINIMUM BILL:

Sum of monthly customer charge and monthly demand charge, irrespective of use.

TERMS OF PAYMENT:

Payment of all bills must be received in full at the Company's designated office within fifteen (15) days of the billing date; provided however, the Company shall take into account any postal service delays of which the Company is advised. If the fifteenth (15th) day falls on a nonbusiness day, the due date shall be extended to the next business day. Should the customer fail to make payment as specified, the Company may, beginning on the twenty-sixth (26th) day, assess simple interest at a rate equal to the prime rate as published in the Money Rates column in The Wall Street Journal. A late payment charge shall not be assessed on a residential customer, or on State, county or municipal government entities.

TERM:

Customer may discontinue service upon written notice to the Company, pursuant to the conditions of the Company's Standard Gas Service Agreement (LV).

TERMS AND CONDITIONS:

The General Terms and Conditions of this Tariff are incorporated into this rate schedule and this rate schedule shall be interpreted in accordance therewith.

Issued November 29, 2013 **Effective with service rendered**
by South Jersey Gas Company, **on and after October 1, 2014**
J. DuBois, President

Filed pursuant to Order in Docket No. GR13111137 of the Board of Public Utilities, State of New Jersey, dated September 30, 2014

COMPREHENSIVE TRANSPORTATION SERVICE (CTS)
(Continued)

DEFINITIONS:

(1) “Gas Consumption” means the volume of gas, utilized by the customer, as measured at the customer's meter. Gas Consumption will be displayed on the Company’s Electronic Bulletin Board (“EBB”). However, the responsibility for balancing shall remain with the customer even if the Company’s EBB is inoperative.

(2) On any day during which gas receipts for a customer's account exceed Gas Consumption, after adjustment to reflect line loss and sales authorized by the Company for this customer, a daily “Excess Imbalance” results.

(3) On any day during which Gas Consumption exceeds gas receipts for a customer’s account, after adjustment to reflect line loss and sales authorized by the Company, a daily “Deficiency Imbalance” results.

(4) Daily Deficiency Imbalances and Daily Excess Imbalances may be collectively referred to as “Daily Imbalances”.

(5) “Net Monthly Imbalance” means the net of a customer’s Daily Imbalances, if any, during a month. If monthly Gas Consumption exceeds monthly gas receipts for a customer's account, a Monthly Deficiency Imbalance results and if monthly gas receipts exceed monthly Gas Consumption, a Monthly Excess Imbalance results.

(6) Upon termination of service under this Rate Schedule CTS, the Company shall review the status of customer's account. In the event that customer's account has a negative balance, the customer shall have thirty days to pay back such negative balance. If any negative balance remains after thirty days, the customer will be charged the GSG-LV Monthly BGSS rate multiplied by each therm of negative balance. If customer's account has a positive balance, the Company will purchase such gas at the Buy-Out Price.

(7) As used in this Rate Schedule CTS, “Buy-Out Price” shall mean a price equal to the lowest price of gas delivered to the Company’s system during the month the positive balance or an Excess Imbalance occurs.

(8) As used in this Rate Schedule CTS, “CTS Year” shall mean a twelve (12) month period commencing November 1 and ending October 31.

COMPREHENSIVE TRANSPORTATION SERVICE (CTS)
(Continued)

SPECIAL PROVISIONS:

(a) Customer shall contract for service under the Company's Standard Gas Service Agreement (LV). A customer electing Limited Firm service under this Rate Schedule CTS must execute a Standard Gas Service Agreement (LV) for an initial term of at least twelve (12) months. A CTS Firm customer taking Limited Firm service may not reduce its Firm Contract Demand.

(b) Due to system constraints, the Company may instruct some or all Firm Transportation Service customers not to exceed Firm Contract Demand during a given twenty-four (24) hour period. Such instructions may be given orally or in writing. Any customer who then uses gas in excess of its Firm Contract Demand may be subject to an additional charge (in addition to the charges set forth in the Monthly Rate Section of this Rate Schedule CTS). Such additional charge shall equal ten (10) times the highest price of the daily ranges for that month that are published in the Gas Daily in the table "Daily Price Survey" for delivery to "Transco, zone 6 non-N.Y.". This charge shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of Transcontinental Gas Pipe Line Corporation. Provided, however, that the Company may waive such charges if a customer demonstrates extenuating circumstances. The imposition of such additional charges shall not restrict the Company's right to interrupt or curtail this service. Provided, however, that as to customers who have elected to take the Limited Firm service, such instruction will not be given more than ten (10) days during any CTS Year as to such Limited Firm service.

Due to system constraints, the Company may instruct some or all Firm Transportation Service customers not to exceed their nominated amounts of gas during a given twenty-four (24) hour period. Such instructions may be given orally or in writing. Any customer who then uses gas in excess of its nominated amount may be subject to an additional charge (in addition to the charges set forth in the Monthly Rate Section of this Rate Schedule CTS). Such additional charge shall equal ten (10) times the highest price of the daily ranges for that month that are published in the Gas Daily in the table "Daily Price Survey" for delivery to "Transco, zone 6 non-N.Y.". This charge shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of Transcontinental Gas Pipe Line Corporation. Provided, however, that the Company may waive such charges if a customer

demonstrates extenuating circumstances. The imposition of such additional charges shall not restrict the Company's right to interrupt or curtail this service. Provided, however, that as to customers who have elected to take the Limited Firm service, such instruction will not be given more than ten (10) days during any CTS Year as to such Limited Firm service.

(c) If during any month a CTS customer having no Alternate Fuel Capability, and who has not elected LimitedFirm service utilizes gas in excess of its Firm Contract Demand as stated in the Standard Gas Service Agreement (LV), multiplied by the number of days in that month, or if applicable, a larger amount authorized by the Company, such customer may be subject to an additional charge (in addition to the charges set forth in the Monthly Rate section of this Rate Schedule CTS): Such additional charge shall

COMPREHENSIVE TRANSPORTATION SERVICE (CTS)
(Continued)

equal ten (10) times the highest price of the daily ranges for that month that are published in the Gas Daily in the table "Daily Price Survey" for delivery to "Transco, zone 6 non-N.Y.". This daily charge shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of Transcontinental Gas Pipe Line Corporation. Provided, however, that the Company may waive such charges if a customer demonstrates extenuating circumstances. The imposition of such additional charges shall not restrict the Company's right to interrupt or curtail this service.

(d) Except as provided in Special Provision (c) above, if during any month a customer utilizes gas in excess of that customer's aggregate daily Firm Contract Demand for said month, or if applicable, a larger amount authorized by the Company, such usage may be deemed to be utilized for either: (1) interruptible charges billed upon Rate Schedule ITS at the service charge and the transportation charge set forth under Rate Schedule ITS, Paragraph (a); or (2) Limited Firm charges set forth in the Monthly Rate section of this Rate Schedule CTS, whichever is applicable. An election to utilize Limited Firm service must be made for a period of at least twelve (12) months.

(e) Customers shall use their best efforts to ensure that the daily volumes of gas scheduled for delivery into the Company's system for the customer's account, adjusted to reflect line loss and sales authorized by the Company, equal the volumes of daily Gas Consumption by the customer.

(f) Customers shall be responsible for maintaining a balance between volumes of daily deliveries into the Company's system and daily Gas Consumption, adjusted to reflect line loss.

(g) Certain levels of Daily Imbalances will be subject to a corrective plan, as provided in Paragraph (g) of this Rate Schedule CTS. Daily Imbalances of this level will be referred to as "Imbalances Requiring Action" or "IRA". An Excess Imbalance will become an IRA during the winter season if daily receipts exceed daily Gas Consumption by five (5%) percent, and during the summer season if daily receipts exceed daily Gas Consumption by seven and one half (7.5%) percent. A Deficiency Imbalance will become an IRA during the winter season if daily Gas Consumption exceeds daily receipts by five (5%) percent, and during the summer season if daily Gas Consumption exceeds daily receipts by seven and one half (7.5%) percent. The winter season, as used herein, is from November 1 through March 31. The summer season is from April 1 to October 31. Generally, the existence of an IRA will be determined for each customer, on an individual customer basis. However, for those customers who execute an Aggregation Agreement, acceptable to the Company, IRAs will be determined in the aggregate for all members of the Aggregation Group.

COMPREHENSIVE TRANSPORTATION SERVICE (CTS)
(continued)

(h) If a customer has an IRA as demonstrated on the Company's EBB, the customer must present a plan within forty-eight (48) hours of such demonstration to eliminate the IRA. Such plan must not, inter alia, adversely impact service to other customers, affect system integrity, or affect the Company's gas supply planning. If the plan presented by the customer is unacceptable to the Company, the Company will present an alternative plan. If the customer fails to present, within 48 hours after such demonstration, a plan to eliminate such IRA or fails to comply with a plan accepted by or offered by the Company, the customer shall be subject either to (a) billing for volumes of Gas Consumption in excess of receipts at a rate equal to five (5) times the Net Monthly Deficiency Imbalance Cash-Out Charge within Rider "I" of this Tariff, assuming a System Impact Charge of one (1.0); or (b) a buyout of the excess of receipts over volumes of Gas Consumption at a rate equal to one-fifth (1/5) of the Net Monthly Excess Imbalance Cash-Out Credit within Rider "I" of this Tariff, assuming a System Impact Charge of one (1.0). Imbalances at month end will be treated no differently than imbalances during the month in that the applicable 48 hour correction period may continue into a subsequent month.

(i) Notwithstanding any other provision of this Rate Schedule CTS, if the Company determines in its sole reasonable discretion that it is necessary to do so to alleviate operating conditions which may threaten the integrity of its system, the Company may issue an Operational Flow Order ("OFO") to some or all customers subject to this Rate Schedule CTS. The Company shall provide customers and their Aggregator/ Marketer's with notice of an OFO by posting the same on the Company's EBB, and by facsimile transmission. Alternatively, the Company may provide notice by telephone or otherwise of said OFO. Such notice shall be effective within twenty-four hours of posting unless exigent circumstances require shorter notice, which shorter notice shall be specified in the posting. The OFO may direct, inter alia, the cessation of the creation of Deficiency Imbalances or of Excess Imbalances and that customers make a good faith effort to eliminate existing Deficiency Imbalances or Excess Imbalances. For purposes of this paragraph (i) of this Rate Schedule CTS, if a customer is a member of a Customer Group pursuant to an Aggregator/Marketer's Agreement, Deficiency Imbalances and Excess Imbalances for that customer and for all members of the Customer Group shall be aggregated. Failure to comply with an OFO shall result in the creation of an OFO Deficiency Imbalance or for an OFO Excess Imbalance. The customer may be invoiced for any OFO Deficiency Imbalance or for any OFO Excess Imbalance at a rate of Fifty Dollars ($50.00) per Mcf of such OFO Deficiency Imbalance or OFO Excess Imbalance for each day that said OFO Deficiency Imbalance or OFO Excess Imbalance remains in effect. In addition, after the Company has taken the steps set forth in this paragraph (i), any customer failing to adhere to an OFO shall be subject to immediate termination of all gas service.

(j) Any customer receiving service subject to this Rate Schedule CTS must maintain computer capability necessary to access the Company's EBB directly or through an Aggregator and/or Marketer pursuant to an Aggregator's/Marketer's Agreement acceptable to the Company.

(k) The Company may install an electronic data collection system pursuant to Section 6.1 of the General Terms and Conditions of this Tariff. The Company shall provide technical assistance in order to minimize the customer's expense for such installation.

(l) Any customer receiving service subject to this Rate Schedule CTS must balance its CTS Firm Load, and if applicable, its ITS and CTS Limited Firm load pursuant to the terms of this Rate Schedule CTS.

COMPREHENSIVE TRANSPORTATION SERVICE (CTS)
(Continued)

(m) A customer scheduling gas for delivery may not schedule less than one dekatherm of gas for delivery under this Rate Schedule CTS on any day. All scheduling must be done in whole number dekatherms and not in fractions thereof.

(n) Customer shall contract for service under the Company's Standard Gas Service Agreement (LV).

(o) In the event that, during any month the sum of the month-to-date Deficiency Imbalances or Excess Imbalances, for non-Force Majeure reasons, for an Aggregator/Marketer exceeds three (3) times the ACD, the Company will immediately notify the Aggregator/Marketer via telephone, facsimile or similar means. If Deficiency Imbalances or Excess Imbalances reach five (5) times the ACD, the following will occur: (1) the Aggregator/Marketer is no longer eligible to function as an Aggregator/Marketer on the Company's system until the conditions set forth in this paragraph (m) are satisfied, but not before the first (1st) day of the following month; and (2) for the balance of the current month and for future months, the affected Aggregator /Marketer's customers will be supplied natural gas by the Company and will be billed on a prorated basis pursuant to the Rate Schedule GSG-LV Monthly BGSS rate. Such customers will be charged on a prorated basis upon this Rate Schedule CTS, including all Special Provisions of this Rate Schedule CTS for gas delivered, including gas deliveries resulting in imbalances, prior to the implementation of the Rate Schedule GSG-LV Monthly BGSS rate.

In order to be reinstated as an eligible Aggregator/Marketer, following termination of aggregator/ Marketer status for Deficiency Imbalances or Excess Imbalances as set forth above, the Aggregator/Marketer in addition to meeting all other applicable requirements must post and maintain for one (1) year security in a credit facility satisfactory to the Company in an amount equal to two (2) times that which would otherwise be required by the Company. At the conclusion of that year and assuming no additional occurrence of Deficiency Imbalances or Excess Imbalances as described above, the Aggregator/Marketer will be released from its obligation to provide security in excess of that otherwise required by the Company. If an additional Deficiency Imbalance or Excess Imbalance as described above occurs during that one-year period, the Aggregator/Marketer will be disqualified as an Aggregator/Marketer upon the Company's system for an additional one (1) year period. As used in this Paragraph (m), ACD shall mean the aggregate of all Contract Demands, expressed in dekatherms, of all customers served by an Aggregator/Marketer under this Rate Schedule CTS.

(p) The receipt of gas by the Company for transportation under this Rate Schedule CTS shall equal the delivery of said gas to the customer on a daily basis, less a percentage for line loss. The line loss factor to be utilized will by the Company-wide line loss percentage.

Issued November 29, 2013
by South Jersey Gas Company,
J. DuBois, President

Effective with service rendered
on and after October 1, 2014

Filed pursuant to Order in Docket No. GR13111137 of the Board of Public Utilities, State of New Jersey, dated September 30, 2014

(continued)

(q) Customers subscribing to this Rate Schedule CTS may elect the "opt-out" provision provided for in the Standard Gas Service Agreement (LV). Such an "opt-out" customer will have no right or entitlement to have base load gas provided by the Company. Provided, however, that a customer electing the "opt-out" provision shall be eligible to receive balancing services from the Company pursuant to appropriate rate schedules and riders. In the case that an "opt-out" customer cannot provide for its capacity, gas supply, or both, the customer must either discontinue the use of base load gas or have it provided by South Jersey at the incremental price. The incremental price charged to an "opt-out" customer shall be the sum of: (1) the highest commodity cost of gas paid by the Company during the month in which the "opt-out" customer uses "Company" gas; and (2) the higher of the cost of incremental capacity needed to serve the returning "opt-out" customer or the system weighted average cost of capacity, plus other charges which must be paid by customers eligible for South Jersey's Monthly BGSS charge. The incremental price will be charged to the customer until the effective date of a new Standard Gas Service Agreement.

(r) An "opt-out" customer will become eligible to purchase base load gas from the Company or transport gas without "opt-out" status, upon six months' notice to the Company of intention to no longer be an "opt-out" customer, provided that prior to the expiration of the six month notice period, the customer shall have entered into a new Standard Gas Service Agreement which includes the customer's agreement to purchase base load gas or transport without an "opt-out" status for a term of not less than one year. Upon the effective date of the new Standard Gas Service Agreement, which shall be no sooner than the end of the six month period in said notice, the customer shall no longer be obligated to pay the incremental prices set forth above. However, said customer will then be obligated to pay the higher balancing charge of $0.126 per Dt, including taxes. The Company will not have the right to waive this six month notice requirement.

LARGE VOLUME SERVICE (LVS)

APPLICABLE TO USE OF SERVICE FOR:

Firm Sales Service and Firm Transportation Service pursuant to this Rate Schedule LVS, shall be available to all Industrial Customers with a Contract Demand and a minimum annualized average use of 200 Mcf per day. To be eligible for Firm Transportation Service under this Rate Schedule LVS, a customer must hold clear and marketable title to gas that is made available for delivery to customer's facility on the Company's system.

CHARACTER OF SERVICE:

Firm Sales Service, Limited Firm Sales Service, Firm Transportation Service, and Limited Firm Transportation Service.

MONTHLY RATE: [1]

Firm:

Customer Charge:

$961.875000 per month

Delivery Charge:

(a) All consumption for customers who elected to transfer from Firm Sales Service to Firm Transportation Service

Demand Charge:

D-1FT: $15.907500 per Mcf of Contract Demand

Volumetric Charge:

C-1FT: $.083522 per therm

(b) All consumption for customers who elect Firm Sales Service

Demand Charge:

D-1: $15.907500 per Mcf of Contract Demand

Volumetric Charge:

C-1: $.083522 per therm

[1] Please refer to Appendix A for components of Monthly Rates.

LARGE VOLUME SERVICE (LVS)
(continued)

Basic Gas Supply Service ("BGSS") Charge:

Demand Charge:
D-2: $15.940257 per Mcf of Contract Demand.

Volumetric Charge:
C-2: See Rider "A" of this Tariff.

Limited Firm:

Customer Charge:

$106.875000 per month

Delivery Charge:

(a) All consumption for customers who elected to transfer from Firm Sales Service to Firm Transportation Service

Volumetric Charge:
C-1FT: $.141571 per therm

(b) All consumption for customers who elect Firm Sales Service

Volumetric Charge:
C-1FT: $.141571 per therm

Basic Gas Supply Service ("BGSS") Charge:

Volumetric Charge:
C-2: See Rider "A" of this Tariff.

PRICE TO COMPARE:

The Company will provide the Price to Compare for an LVS customer, at said customer's request.

LINE LOSS:

Line Loss shall be 1.43% as provided in Special Provision (h).

LARGE VOLUME SERVICE (LVS)
(continued)

MINIMUM BILL:

Sum of monthly Customer Charge and monthly Demand Charges, irrespective of use.

APPLICABLE RIDERS:

Basic Gas Supply Service Clause:	The C-2 rate is depicted in Rider "A" of this Tariff.
Societal Benefits Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "E" of this Tariff.
Balancing Service Clause:	All gas delivered to Customers under this Rate Schedule LVS is subject to Rider "I", of this Tariff.
Energy Efficiency Tracker:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "N" of this Tariff.

TERMS OF PAYMENT:

Payment of all bills must be received in full at the Company's designated office within fifteen (15) days of the billing date; provided however, the Company shall take into account any postal service delays of which the Company is advised. If the fifteenth (15th) day falls on a nonbusiness day, the due date shall be extended to the next business day. Should the customer fail to make payment as specified, the Company may, beginning on the twenty-sixth (26th) day, assess simple interest at a rate equal to the prime rate as published in the Money Rates column in The Wall Street Journal. A late payment charge shall not be assessed on a residential customer, or on State, county or municipal government entities.

TERM:

Customer may discontinue service upon written notice to the Company, pursuant to the conditions of the Company's Standard Gas Service Agreement (LV).

TERMS AND CONDITIONS:

The General Terms and Conditions of this Tariff are incorporated into this rate schedule and this rate schedule shall be interpreted in accordance therewith.

LARGE VOLUME SERVICE (LVS)
(Continued)

SPECIAL PROVISIONS:

(a) Customer shall contract for service under the Company's Standard Gas Service Agreement (LV). A customer electing Limited Firm service under this Rate Schedule LVS must execute a Standard Gas Service Agreement (LV) for an initial term of at least twelve (12) months. An LVS Firm customer taking Limited Firm service may not reduce its Firm Contract Demand.

(b) Due to system constraints, the Company may instruct some or all Firm Sales Service or Firm Transportation Service customers not to exceed the stated Contract Demand in the Standard Gas Service Agreement (LV) during a given twenty-four (24) hour period. Said instruction may be given orally or in writing. Any customer who then uses in excess of its Contract Demand may be subject to an additional charge (in addition to the charges set forth in the Monthly Rate Section of this Rate Schedule LVS). Such additional charge shall equal ten (10) times the highest price of the daily ranges for that month that are published in the Gas Daily in the table "Daily Price Survey" for delivery to "Transco, zone 6 non-N.Y.". This charge shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of Transcontinental Gas Pipe Line Corporation. Provided, however, that the Company may waive such charges if a customer demonstrates extenuating circumstances. The imposition of such additional charges shall not restrict the Company's right to interrupt or curtail this service.

Due to system constraints, the Company may instruct some or all Firm Transportation Service customers not to exceed their nominated amounts of gas during a given twenty-four (24) hour period. Such instructions may be given orally or in writing. Any customer who then uses gas in excess of its nominated amount may be subject to an additional charge (in addition to the charges set forth in the Monthly Rate Section of this Rate Schedule LVS). Such additional charge shall equal ten (10) times the highest price of the daily ranges for that month that are published in the Gas Daily in the table "Daily Price Survey" for delivery to "Transco, zone 6 non-N.Y." This charge shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of Transcontinental Gas Pipe Line Corporation. Provided, however, that the Company may waive such charges if a customer demonstrates extenuating circumstances. The imposition of such additional charges shall not restrict the Company's right to interrupt or curtail this service. Provided, however, that as to customers who have elected to take the Limited Firm service, such instruction will not be given more than ten (10) days during any LVS Year as to such Limited Firm service.

Due to system constraints, the Company may instruct some or all Limited Firm sales customers or Limited Firm transportation customers to cease utilizing any gas service. Such instruction may not be given on more than ten (10) days during any Winter Season.

(c) If during any month a Firm Sales Service or Firm Transportation Service customer having Alternate Fuel Capability utilizes gas in excess of the stated Contract Demand in the Standard Gas Service Agreement (LV), multiplied by the number of days in that month, or if applicable, a larger amount authorized by the Company, such excess usage may be deemed to be utilized for either: (i) interruptible service to be billed upon Rate Schedule ITS at the service charge and the transportation charge set forth under Rate Schedule ITS, Paragraph (a); or (ii) Limited Firm charges set forth in the Monthly Rate Section of this Rate Schedule (LVS) whichever is applicable. An election to utilize Limited Firm transportation service or Limited Firm sales service must be made for a period of at least twelve (12) months.

Issued November 29, 2013
by South Jersey Gas Company,
J. DuBois, President

Effective with service rendered
on and after October 1, 2014

Filed pursuant to Order in Docket No. GR13111137 of the Board of Public Utilities, State of New Jersey, dated September 30, 2014

LARGE VOLUME SERVICE (LVS)
(Continued)

(d) If during any month a Firm Sales Service or Firm Transportation Service customer without Alternate Fuel Capability utilizes gas in excess of the stated Contract Demand in the Standard Gas Service Agreement (LV), multiplied by the number of days in that month, or if applicable, a larger amount authorized by the Company, such customer may be subject to an additional charge (in addition to the charges set forth in the Monthly Rate Section of this Rate Schedule LVS). Such additional charge shall equal ten (10) times the highest price of the daily ranges for that month that are published in the Gas Daily in the table "Daily Price Survey" for delivery to "Transco, zone 6 non-N.Y.". This daily charge shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of Transcontinental Gas Pipe Line Corporation. Provided, however, that the Company may waive such charges if a customer demonstrates extenuating circumstances. The imposition of such additional charges shall not restrict the Company's right to interrupt or curtail this service.

(e) The Company will not accept gas for delivery from a Firm Transportation Service customer that will: (1) adversely impact the Company's rights to current or future supply or transportation allocations; or (2) impose any financial or burdensome administrative obligation on the Company that would not have existed without acceptance of such delivery by the Company.

(f) The Firm Transportation Service customer bears sole responsibility for costs incurred to deliver customer owned gas to the Company's City Gate Station and to provide interstate pipeline capacity.

(g) The Firm Transportation Service customer shall be required to reimburse the Company for any out-of-pocket expenses incurred in connection with the initiation and rendering of service under this Rate Schedule LVS. If the Company has accepted gas for delivery under this Rate Schedule and as a result thereof it incurs any financial or burdensome administrative obligation, the Company may impose a surcharge therefore.

(h) The receipt of gas by the Company for Firm Transportation Service customers under this Rate Schedule LVS shall equal the delivery of said gas to the customer on a daily basis, less a percentage for line loss. The line loss factor to be utilized will be the Company-wide line loss percentage.

(i) Firm Transportation Service customers may not arrange for delivery to the Company, on any day, of gas volumes in excess of customer's then applicable daily Contract Demand unless authorized to do so by the Company; provided, however, that said excess deliveries may be authorized by the Company to cure a Deficiency Imbalance.

(j) The Company may install an electronic data collection system pursuant to Section 6.1 of the General Terms and Conditions of this Tariff. The Company shall provide technical assistance in order to minimize the customer's expense for such installation.

(k) The existence of imbalances as defined in Rider "I" will be determined each day. If at the beginning of a day a Firm Transportation Service customer has an imbalance, the gas to fulfill that customer's daily Contract Demand for that day will be the first gas through the City Gate Station for the customer's account on that day. Gas to correct existing imbalances will be considered as the last gas coming through the City Gas Station for that customer's account on that day.

LARGE VOLUME SERVICE (LVS)
(Continued)

(l) A Firm Transportation Service customer scheduling gas for delivery may not schedule less than one dekatherm of gas for delivery under this Rate Schedule LVS on any day. All scheduling must be done in whole number dekatherms and not in fractions thereof.

(m) The BGSS D-2 Demand Charge will equal the Company's system weighted average interstate pipeline demand charge plus the system weighted average gas reservation charge both as of October 1 of each year. The BGSS D-2 Demand Charge is subject to annual adjustment, to be made in the same proceeding in which the Company's annual Periodic BGSS Rate is established for the BGSS Year pursuant to Rider "A" of this Tariff. The BGSS D-2 Demand Charge shall not be less than the sum of the following: (1) the demand charge invoiced by Transcontinental Gas Pipe Line Corporation for its FT service; (2) the Pipeline Capacity Factor; and (3) one dollar ($1.00) per Dt.

(n) The Pipeline Capacity Factor will recover the difference between the Company's system weighted average pipeline demand cost and the demand cost of Transcontinental Gas Pipe Line Corporation's FT charge.

(o) Customers subscribing to this Rate Schedule LVS may elect the "opt-out" provision provided for in the Standard Gas Service Agreement (LV). Such an "opt-out" customer will have no right or entitlement to have base load gas provided by the Company. Provided, however, that a customer electing the "opt-out" provision shall be eligible to receive balancing services from the Company pursuant to appropriate rate schedules and riders. In the case that an "opt-out" customer cannot provide for its capacity, gas supply, or both, the customer must either discontinue the use of base load gas or have it provided by South Jersey at the incremental price. The incremental price charged to an "opt-out" customer shall be the sum of: (1) the highest commodity cost of gas paid by the Company during the month in which the "opt-out" customer uses "Company" gas; and (2) the higher of the cost of incremental capacity needed to serve the returning "opt-out" customer or the system weighted average cost of capacity, plus other charges which must be paid by customers eligible for South Jersey's Monthly BGSS charge. The incremental price will be charged to the customer until the effective date of a new Standard Gas Service Agreement.

(p) An "opt-out" customer will become eligible to purchase base load gas from the Company, or transport gas without "opt-out" status, upon six months' notice to the Company of intention to no longer be an "opt-out" customer, provided that prior to the expiration of the six month notice period, the customer shall have entered into a new Standard Gas Service Agreement which includes the customer's agreement to purchase base load gas or transport without an "opt-out" status for a term of not less than one year. Upon the effective date of the six month period in said notice, the customer shall no longer be obligated to pay the incremental prices set forth above. However, said customer will then be obligated to pay the higher balancing charge of $0.126 per Dt, including taxes. The Company will not have the right to waive this six month notice requirement.

FIRM ELECTRIC SERVICE (FES)

APPLICABLE TO USE OF SERVICE FOR:

All gas that is purchased or transported to generate electricity. Provided, however, that in order to qualify for this Rate Schedule FES, a customer must have a Winter Daily Contract Demand of 1,000 Mcf per day or more, or a Summer Daily Contract Demand of 2,000 Mcf per day or more, or both. To be eligible for Firm Transportation Service under this Rate Schedule FES, a customer must hold clear and marketable title to gas that is made available for delivery to customer's facility on the Company's system.

CHARACTER OF SERVICE:

Firm Sales Service and Firm Transportation Service.

MONTHLY RATE [(1)] [(2)]

WINTER (November – March):

Demand Charge:

D-1 $3.096400 per Mcf of Winter Daily Contract Demand
D-2 $7.970128 per Mcf of Daily Billing Determinant or $0 for Firm Transportation customers

Volumetric Charge:

C-1: $.040471 per therm of consumption
C-2: FES Monthly Commodity Rate, pursuant to Rider "A" and Special Provision (x), OR Customer Owned Gas Clause, Rider "D"
C-3: $.174100 per therm of consumption
C-4: Escalator Rate – Charge may change monthly pursuant to Standard Gas Service Addendum.

Minimum Bill: The monthly D-1 and D-2 charges, irrespective of use.

SUMMER (April – October):

Demand Charge:

D-1 $3.096400 per Mcf of Summer Daily Contract Demand
D-2 $7.970128 per Mcf of Daily Billing Determinant or $0 for Firm Transportation customers

Volumetric Charge:

C-1: $.040471 per therm of consumption
C-2: FES Monthly Commodity Rate, pursuant to Rider "A" and Special Provision (x), OR Customer Owned Gas Clause, Rider "D"
C-3: $.174100 per therm of consumption
C-4: Escalator Rate – Charge may change monthly pursuant to Standard Gas Service Addendum.

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(1) Please refer to Appendix A for components of Monthly Rates.
(2) Please refer to Special Provision (p)

FIRM ELECTRIC SERVICE (FES)
(Continued)

MINIMUM BILL: The monthly D-1 and D-2 charge, irrespective of use.

LINE LOSS:

Line Loss shall be 1.43% as provided in Special Provision (d).

APPLICABLE RIDERS:

Basic Gas Supply Clause:	The C-2 Rate is depicted on Rider A to this tariff, and is subject to adjustment pursuant to Special Provision (x) of this Rate Schedule.
Customer Owned Gas Clause:	The C-2 Volumetric Charge is subject to adjustment, pursuant to Rider "D" of this Tariff, if the customer so requests in an executed Standard Gas Service Agreement (FES).
Societal Benefits Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "E" of this Tariff.
Energy Efficiency Tracker:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "N" of this Tariff.

TERMS OF PAYMENT:

Payment of all bills must be received in full at the Company's designated office within fifteen (15) days of the billing date; provided however, the Company shall take into account any postal service delays of which the Company is advised. If the fifteenth (15th) day falls on a non-business day, the due date shall be extended to the next business day. Should the customer fail to make payment as specified, the Company may, beginning on the twenty-sixth (26th) day, assess simple interest at a rate equal to the prime rate as published in the Money Rates column in The Wall Street Journal. A late payment charge shall not be assessed on a residential customer, or on State, county or municipal government entities.

TERM:

Customer may discontinue service upon written notice to the Company, pursuant to the conditions of the Company's Standard Gas Service Agreement (FES).

TERMS AND CONDITIONS:

The General Terms and Conditions of this Tariff are incorporated into this rate schedule and this rate schedule shall be interpreted in accordance therewith.

FIRM ELECTRIC SERVICE (FES)
(Continued)

SPECIAL PROVISIONS:

(a) Customer shall contract for service under the Company's Standard Gas Service Agreement (FES), specifying a Winter Daily Contract Demand, a Summer Daily Contract Demand, an Annual Billing Determinant (ABD) and Daily Billing Determinant. In any given calendar year, should an FES

customer not consume its ABD, the customer shall be billed the C-3 Charge for the difference in therms between the ABD and actual consumption.

(b) On any day during the Winter Season, an FES customer may request service above its Winter Daily Contract Demand, and the Company may provide such service in the Company's sole reasonable discretion. If the FES customer requests such service, and such request is granted by the Company, (in addition to charges set forth in the Monthly Rate Section of this Rate Schedule FES) the customer will be charged 1.5 times the 100% load factor equivalent of the Winter D-1 and one times the D-2 Charge for the difference between the amount authorized by the Company for that day and the customer's Winter Daily Contract Demand, irrespective of whether the customer consumes this amount. Any consumption under this Special Provision (b) shall not be applied to meet the customer's requirement to consume its ABD pursuant to Special Provision (a).

(c) During the Winter Season an FES Firm Sales Service or Firm Transportation Service customer may not exceed the stated Winter Daily Contract Demand in the Standard Gas Service Agreement (FES) during a twenty-four (24) hour period without authorization from the Company. Any customer who uses in excess of its Winter Daily Contract Demand without authorization, or if applicable, a larger amount authorized by the Company (excess usage), may be subject to an additional charge (in addition to charges set forth in the Monthly Rate Section of this Rate Schedule FES), for such excess use. Such additional charge shall equal ten (10) times the highest price of the daily ranges for that month that are published in the Gas Daily in the table "Daily Price Survey" for delivery to "Transco, Zone 6 Non-N.Y.". This charge shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of Transcontinental Gas Pipe Line Corporation. The customer shall also be charged 1.5 times the 100% load factor equivalent of the Winter D-1 Charge for all excess usage. Provided, however, that the Company may waive such charges if customer demonstrates extenuating circumstances. The imposition of such additional charges shall not restrict the Company's right to interrupt or curtail this service.

(d) For Firm Transportation Service customers, the receipt of gas by the Company for transportation under this Rate Schedule FES shall equal the delivery of said gas to the customer on a daily basis, less a percentage for line loss. The line loss factor to be utilized will be the Company-wide line loss percentage.

(e) In the Standard Gas Service Agreement (FES) customer shall designate the facility (or facilities) at which service will be received under this Rate Schedule (FES) ("FES Facility").

(f) RESERVED FOR FUTURE USE

(g) RESERVED FOR FUTURE USE

FIRM ELECTRIC SERVICE (FES)
(Continued)

(h) The Company may install an electronic data collection system pursuant to Section 6.1 of the General Terms and Conditions of this Tariff. The Company shall provide technical assistance in order to minimize the customer's expense for such installation.

(i) Service pursuant to this Rate Schedule FES shall be provided within the existing limitations of Company's system, and Company shall not be required to expand or alter the said system. Should Company, prior to the institution of service under this Rate Schedule FES in its sole reasonable discretion, elect to expand or alter its system in order to provide service pursuant to this Rate Schedule FES, the Company may require the customer to make a payment towards all or a part of the cost of the said expansion or alteration as Company shall determine in Company's discretion. Provided, however, that before making such expansion or alteration, Company shall provide an estimate in writing of the cost of such expansion or alteration to customer. Provided, however, that the making of such a payment shall give the customer no interest in the Company's system. All rights, including the rights of ownership and possession, shall be vested exclusively in the Company.

(j) The Company may, at its sole reasonable discretion, offer a Winter and Summer D-1 Demand Charge and a C-3 Volumetric Charge on a negotiated basis. The D-1 charges, in conjunction with the C-3 charge, may not be lower than an amount sufficient to generate a reasonable return on capital investments made by the Company to provide service under this Rate Schedule FES and recovery of marginal and embedded costs, including depreciation. Such an offer shall be based upon cost of service and value of service considerations, including but not limited to such factors as: (1) proximity of customer to the Company's transmission lines; (2) whether the customer will utilize the Company's interstate pipeline capacity; (3) whether the customer will provide its own gas supply; (4) level of interruption elected by the customer pursuant to Special Provision (r) of this Rate Schedule; and (5) other pertinent factors. Such negotiated rates shall be set forth in the Standard Gas Service Agreement (FES) and filed with the Board within thirty (30) days of execution, for approval. Service Agreements containing the Benchmark Rates shown in the Monthly Rate section of this Rate Schedule (FES) shall not require filing with the Board. All agreements submitted to the Board for approval with a term of greater than five (5) years, must be accompanied by a justification for the extended term. The Company, the customer, the Board and its Staff shall treat any Standard Gas Service Agreement (FES) filed or to be filed with the Board, any petition related thereto, supporting documentation or any discovery related thereto as proprietary and trade secrets of the Company. As such, the contents of such material shall not be disclosed to any party, unless that party executes a confidentiality agreement acceptable to the Company.

(k) The D-2 Charge set forth above is subject to an annual adjustment, which shall be made in the same proceeding in which the Company's Basic Gas Supply Service rates are established pursuant to Rider "A" of this Tariff. The D-2 Charge shall equal one half (1/2) the weighted average of all interstate pipeline demand charges imposed upon the Company, applicable October 1 of each year, plus applicable taxes. Said D-2 Charge will recover any pipeline demand charges, gas inventory charges, gas reservation charges, direct bill take-or-pay surcharges and similar charges. The C-2 Charge includes all commodity cost of gas to the Company other than the commodity cost of liquefied natural gas plus applicable taxes.

FIRM ELECTRIC SERVICE (FES)
(Continued)

(l) On or before the twentieth day of each calendar month the customer shall provide to the Company, on a form to be provided by the Company, a Notice of Intent relative to Rider D. On said form customer shall advise Company as to whether it will only provide its own gas for delivery under Rider D, including potential peak day usage, or purchase some amount of the Company's gas under this Rate Schedule FES for the month succeeding delivery of said form. If during the month succeeding delivery of said form the customer requires gas supplies from the Company, over and above those so designated on the Notice of Intent, the Company will provide such supplies assuming availability of said supplies and interstate pipeline capacity. The Company's offer to provide such supplies shall include a rate for such gas which is no lower than the C-2 rate set forth in the Monthly Rate section of this Rate Schedule FES. If the FES customer accepts the rate so offered by the Company, the Company will give adequate notice of said offer and acceptance to the Board.

(m) An FES customer who holds clear and marketable title to gas and who provides its own firm interstate pipeline capacity to the Company's City Gate Station may request authorization from the Company for discount of the Firm D-2 charge as set forth in the Monthly Rate Section of this Rate Schedule FES; provided, however, that said D-2 charges shall in no event be discounted for direct bill take-or-pay surcharges and similar charges.

(n) Any charges imposed pursuant to the above Special Provisions of this Rate Schedule FES shall be in addition to other charges imposed pursuant to this Rate Schedule FES.

(o) A Customer generating electricity, that qualifies pursuant to the provisions of N.J.S.A. 54:30A 50(c) shall be entitled to an appropriate rate reduction, to reflect the tax exemption.

(p) Notwithstanding any other provisions of this Rate Schedule FES, customers who have previously executed a Standard Gas Service Agreement (LVCS) shall continue, from and after the date of acceptance of this Rate Schedule FES, for as long as such previously executed Standard Gas Service Agreement (LVCS) shall remain in effect, to be charged in accordance with the terms of the existing Standard Gas Service Agreement (LVCS). In this regard, such customers shall continue to be charged the LVCS D-1 and C-3 rates now charged by the Company, pursuant to existing Standard Gas Service Agreements (LVCS), until such customers no longer receive service pursuant to such Standard Gas Service Agreements (LVCS). This Special Provision (q) shall be applicable to those Standard Gas Service Agreements (LVCS) in existence prior to August 29, 2003.

FIRM ELECTRIC SERVICE (FES)
(Continued)

(q) The customer shall indicate in the Standard Gas Service Agreement (FES) the maximum number of days during the Winter Season during which some or all of the customer's Winter Daily Contract Demand shall be interrupted. Due to system constraints, the Company may instruct one or all FES customer's to limit all or a portion of the customer's Winter Daily Contract Demand during a given twenty-four (24) hour period. Such instructions may be given orally or in writing but may be given no more then the number of days of permissible interruption specified in the Standard Gas Service Agreement (FES). Any customer who uses gas in excess of the amount to which the customer is interrupted during a given twenty-four (24) hour period may be subject to an additional charge (in addition to the charges set forth in the Monthly Rate Section of this Rate Schedule FES). Such additional charge shall be equal to ten (10) times the highest price of the daily ranges for that month that are published in Gas Daily in the table "Daily Price Survey" for delivery to "Transco, Zone 6 non-N.Y.". This charge shall not be lower then the maximum penalty charge for unauthorized daily overruns as provided in the FERC-approved gas tariffs of Transcontinental Gas Pipe Line Corporation. Provided, however, that the Company may waive such charges if a customer demonstrates extenuating circumstances. The imposition of such additional charges shall not restrict the Company's right to interrupt or curtail this service.

(r) Pursuant to this Rate Schedule FES, when it is appropriate to charge a customer the 100% load factor equivalent of a Demand Charge, the same shall be calculated by dividing the Demand Charge by (30.4 x Therm Factor x 10).

(s) The D-1 and C-3 rates set forth in the Monthly Rate section of this Rate Schedule FES are "Benchmark" Rates. Unless different rates are offered and accepted pursuant to Special Provision (j) the Benchmark Rates will be applicable.

(t) If the Benchmark Rates are applicable, the Customer will be subject to all future rate changes to such Benchmark Rates approved by the Board. Provided, however, that if negotiated rates are applicable, those negotiated rates will be subject to the same percentage changes that the Benchmark Rates are subject to through appropriate base rate proceedings. Provided, however, that agreements for negotiated rates may provide that the same percentage changes will not apply, if the Company provides justification for such non-applicability, and the Board finds it to be reasonable.

(u) For all customers who become customers under this Rate Schedule FES after July 1, 2004, any increases or decreases to Rider "B", Rider "E", and Rider "I" shall be applicable to the Benchmark Rates, as well as negotiated rates.

FIRM ELECTRIC SERVICE (FES)
(Continued)

(v) As of July 6, 2004, only one customer was receiving service under this Rate Schedule FES. Notwithstanding any other provision of this Rate Schedule FES, that customer's existing Standard Gas Service Agreement ("FES"), and amendments and addenda thereto (the "Existing Agreement") will continue in effect without modification to its terms or the rates paid. The Existing Agreement will only remain in effect if on or before August 16, 2004, the Company files a new Standard Gas Service Agreement ("FES") (the "Replacement Agreement") for approval by the Board. If the Replacement Agreement is not filed on or before August 16, 2004, then the FES customer will be invoiced at the Benchmark rates contained in this Rate Schedule FES. If the Replacement Agreement is filed on or before August 16, 2004, then the Existing Agreement will remain in effect, until the Board acts upon the Replacement Agreement.

(w) The FES Monthly Commodity rate shall be calculated each month pursuant to the Monthly BGSS Subrider of the Basic Gas Supply Service Clause to this Tariff, except that paragraph (3) of the Monthly Formula in the Monthly BGSS Subrider shall not apply to FES customers At any time during the month after the FES Monthly Commodity rate has been established, the Company may file a higher or lower rate to reflect changes or anticipated changes in gas costs. Such change may be made at the sole option of the Company after 3 hours advance notice, by telephone or otherwise, has been given to the Board and affected consumers.

ELECTRIC GENERATION SERVICE (EGS)

APPLICABLE TO USE OF SERVICE FOR:

Residential, commercial and industrial uses for electric generation facilities; all Prime Movers; and all engine driven equipment (whether or not used for electric generation). Provided, however, that in order to be eligible for this Rate Schedule EGS, a customer must have a Firm Daily Contract Demand of less than 200 Mcf per day; provided, however, that a residential EGS customer will have no Firm Daily Contract Demand. To be eligible for Firm Transportation Service under this Rate Schedule EGS, a customer must hold clear and marketable title to gas that is made available for delivery to customer's facility on the Company's system.

CHARACTER OF SERVICE:

Firm Sales Service and Firm Transportation Service

MONTHLY RATE: (1)(2)

Residential Customer Charge:

$9.618800 per month

Residential Delivery Charge

Residential Volumetric Charge: $.224779 per therm

Commercial and Industrial Customer Charge:

$26.718800 per month

Commercial and Industrial Delivery Charge:

Commercial and Industrial Demand Charge:

D-1 Charge: $6.946900 per Mcf of contract

Volumetric Charges:

Winter Season (effective during billing months of November through March):

All Consumption for Firm Sales Service $.224779 per therm

All Consumption for Firm Transportation Service $.224779 per therm

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(1) Please refer to Appendix A for components of Monthly Rates.
(2) See Special Provision (k) of this Rate Schedule EGS, regarding appropriate balancing charges.

ELECTRIC GENERATION SERVICE (EGS)
(Continued)

Summer Season (effective during billing months of April through October):

All Consumption for Firm Sales Service	$.192716 per therm
All Consumption for Firm Transportation Service	$.192716 per therm

Basic Gas Supply Service ("BGSS") Charge:

All Consumption See Rider "A" of this Tariff.

LINE LOSS:

Line Loss shall be 1.43% as provided in Special Provision (p).

APPLICABLE RIDERS:

Basic Gas Supply Service Clause:	BGSS charges are depicted in Rider "A" of this Tariff.
Societal Benefits Clause:	The rates set forth above have been adjusted, pursuant to Rider "E" of this Tariff.
Balancing Service Clause	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "J" of this Tariff. However, also see Special Provision (k) regarding Rider "I".
Energy Efficiency Tracker:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "N" of this Tariff.

TERMS OF PAYMENT:

Payment of all bills must be received in full at the Company's designated office within fifteen (15) days of the billing date; provided however, the Company shall take into account any postal service delays of which the Company is advised. If the fifteenth (15th) day falls on a non-business day, the due date shall be extended to the next business day. Should the customer fail to make payment as specified, the Company may, beginning on the twenty-sixth (26th) day, assess simple interest at a rate equal to the prime rate as published in the Money Rates column in The Wall Street Journal. A late payment charge shall not be assessed on a residential customer, or on State, county or municipal government entities.

Issued November 14, 2016 **Effective with service rendered**
by South Jersey Gas Company, **on and after January 1, 2017**
J. DuBois, President

Filed pursuant to Order in Docket No. ER16111054 of the Board of Public Utilities, State of New Jersey, dated November 14, 2016

ELECTRIC GENERATION SERVICE (EGS)
(Continued)

TERM:

The Company may offer service to a customer provided that the customer and the Company contract for service under the Company's Standard Gas Service Agreement (EGS). The Company shall be obligated to offer the customer a contract under this Rate Schedule EGS for service for a minimum of a 12 month period.

TERMS AND CONDITIONS:

The General Terms and Conditions of this Tariff are incorporated into this rate schedule and this rate schedule shall be interpreted in accordance therewith.

SPECIAL PROVISIONS:

(a) EGS equipment must be metered and billed separately from all other gas equipment that may be used in a customer’s facility.

(b) The Company will not accept gas for delivery to Firm Transportation Service customers that will: (1) adversely impact the Company’s rights to current or future supply or transportation allocations; or (2) impose any financial or burdensome administrative obligation on the Company that would not have existed without acceptance of such delivery by the Company.

(c) The Firm Transportation Service customer bears sole responsibility for costs incurred to deliver customer owned gas to the Company’s City Gate Station and to provide interstate pipeline capacity.

(d) The Firm Transportation Service customer shall be required to reimburse the Company for any out-of-pocket expenses incurred in any financial or burdensome administrative obligation, the Company may impose a surcharge therefore.

(e) Firm Transportation Service customers may not arrange for delivery to the Company, on any day, of gas volumes in excess of customer’s then applicable Daily Contract Quantity (“DCQ”) (or the quantity of gas burned daily if the Rider “I” customer has no DCQ) unless authorized to do so by the Company; provided, however, that said excess deliveries may be authorized by the Company to cure a Deficiency Imbalance.

(f) For Firm Transportation Service customers, the existence of imbalances as defined in Rider “I” or Rider “J” will be determined each day. If at the beginning of a day a customer has an imbalance, the gas to fulfill that customer’s Daily Contract Quantity (“DCQ”) (or the quantity of gas burned on that day for a Rider “I” customer who has no DCQ) for that day will be the first gas through the City Gate Station for the customer’s account on that day. Gas to correct existing imbalances will be considered as the last gas coming through the City Gas Station for that customer’s account on that day.

ELECTRIC GENERATION SERVICE (EGS)
(Continued)

(g) Due to system constraints, the Company may instruct some or all EGS Firm Sales Service or Firm Transportation Service customers not to exceed the stated Firm Daily Contract Demand in the Standard Gas Service Agreement (EGS) during a given twenty-four (24) hour period. Said instruction may be given orally or in writing. Any customer who then uses in excess of its Firm Daily Contract Demand may be subject to an additional charge (in addition to the charges set forth in the Monthly Rate Section of this Rate Schedule EGS). Such additional charge shall equal ten (10) times the highest price of the daily ranges for that month that are published in the Gas Daily in the table "Daily Price Survey" for delivery to "Transco, zone 6 non-N.Y.". This charge shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of Transcontinental Gas Pipe Line Corporation. Provided, however, that the Company may waive such charges if a customer demonstrates extenuating circumstances. The imposition of such additional charges shall not restrict the Company's right to interrupt or curtail this service.

(h) If during any month a Firm Sales Service or Firm Transportation Service customer having Alternate Fuel Capability utilizes gas in excess of the stated Firm Daily Contract Demand in the Standard Gas Service Agreement (EGS), multiplied by the number of days in that month, or if applicable, a larger amount authorized by the Company, such excess shall be deemed utilized for interruptible uses, and may be billed pursuant to Rate Schedule IGS or ITS, as applicable.

(i) If during any month a Firm Sales Service or Firm Transportation Service customer without Alternate Fuel Capability utilizes gas in excess of the stated Firm Daily Contract Demand in the Standard Gas Service Agreement (EGS), or if applicable, a larger amount authorized by the Company, such customer may be subject to an additional charge (in addition to the charges set forth in the Monthly Rate Section of this Rate Schedule EGS). Such additional charge shall equal ten (10) times the highest price of the daily ranges for that month that are published in the Gas Daily in the table "Daily Price Survey" for delivery to "Transco, zone 6 non-N.Y.", multiplied by the number of days in that month. This daily charge shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of Transcontinental Gas Pipe Line Corporation. Provided, however, that the Company may waive such charges if a customer demonstrates extenuating circumstances. The imposition of such additional charges shall not restrict the Company's right to interrupt or curtail this service.

(j) The rates set forth in the Delivery Charge section of this Rate Schedule EGS assume that the customer receives balancing service under Rider "J" to this Tariff. If the customer selects balancing service under Rider "I" of this Tariff, then the Delivery Charges will be adjusted to reflect the Rider "I" Charges.

(k) The Company may install an electronic data collection system pursuant to Section 6.1 of the General Terms and Conditions of this Tariff. The Company shall provide technical assistance in order to minimize the customer's expense for such installation.

ELECTRIC GENERATION SERVICE (EGS)
(Continued)

(l) To be eligible for Firm Transportation Service under this Rate Schedule EGS, a customer must hold clear and marketable title to gas that is made available for delivery to the customer's facility on the Company's system.

(m) A Customer generating electricity, that qualifies pursuant to the provisions of N.J.S.A. 54:30A-50(c) shall be entitled to an appropriate rate reduction, to reflect the tax exemption.

(n) A Firm Transportation Service customer scheduling gas for delivery may not schedule less than one dekatherm of gas for delivery under this Rate Schedule EGS on any day. All scheduling must be done in whole number dekatherms.

(o) For Firm Transportation Service customers, the receipt of gas by the Company for transportation under this Rate Schedule EGS shall equal the delivery of said gas to the customer on a daily basis, less a percentage for line loss. The line loss factor to be utilized will be the Company-wide line loss percentage.

ELECTRIC GENERATION SERVICE – LARGE VOLUME (EGS-LV)

APPLICABLE TO USE OF SERVICE FOR:

All commercial and industrial electric generation facilities; all Prime Movers and all engine driven equipment (whether or not used for electric generation). Provided, however, that in order to be eligible for this Rate Schedule EGS-LV, a customer must have a Firm Daily Contract Demand of 200 Mcf per day or more. To be eligible for Firm Transportation Service under this Rate Schedule EGS-LVS, a customer must hold clear and marketable title to gas that is made available for delivery to customer's facility on the Company's system.

CHARACTER OF SERVICE:

Firm Sales Service, Firm Transportation Service, Limited Firm Sales Service and Limited Firm Transportation Service.

MONTHLY RATE: (1)

Customer Charge:

$192.3750 per month

FIRM:

Demand Charges: (2)

D-1 $22.134858 per Mcf of Firm Daily Contract Demand.

D-2 $15.563489 per Mcf of Firm Daily Contract Demand or $0 for Firm Transportation customers.

Volumetric Charge:

C-1: $.040471 per therm of consumption

C-2: As depicted in the Monthly BGSS Subrider of Rider "A" of this Tariff, OR Customer Owned Gas Clause, Rider "D"

Minimum Bill: Monthly D-1 and D-2 charges, irrespective of use.

LIMITED FIRM:

Demand Charge:

D-2 $7.970128 per Mcf of Limited Firm Daily Contract Demand or $0 for Limited Firm Transportation customers

Volumetric Charge: (2)

C-1: $.040471 per therm of consumption

C-2: As depicted in the Monthly BGSS Subrider of Rider "A" of this Tariff, OR Customer Owned Gas Clause, Rider "D"

C-3 $.174100 per therm for all consumption within Limited Firm Contract Demand level.[1]

(1) Please refer to Appendix A for components of Monthly Rates.

(2) Please refer to Special Provision (j).

ELECTRIC GENERATION SERVICE – LARGE VOLUME (EGS-LV)
(Continued)

Minimum Bill: Monthly D-2 charge, irrespective of use.

LINE LOSS

Line Loss shall be 1.43% as provided in Special Provision (j).

APPLICABLE RIDERS:

Basic Gas Supply Service Clause:	The C-2 rate is depicted in Rider “A” of this Tariff.
Societal Benefits Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider “E” of this Tariff.
Customer Owned Gas Clause:	The Firm and Limited Firm C-2 Volumetric Charges are subject to adjustment, pursuant to Rider “D” of this Tariff, if so elected in an executed Standard Gas Service Agreement (EGS-LV).
Balancing Service Clause:	All gas delivered to customers under this Rate Schedule EGS-LV is subject to Rider “I” of this Tariff.
Energy Efficiency Tracker:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider “N” of this Tariff.

All rates, except for the Firm and Limited Firm C-2 Volumetric Charges, are subject to Special Provision (e) of this Rate Schedule (EGS-LV).

TERMS OF PAYMENT:

Payment of all bills must be received in full at the Company’s designated office within fifteen (15) days of the billing date; provided however, the Company shall take into account any postal service delays of which the Company is advised. If the fifteenth (15th) day falls on a nonbusiness day, the due date shall be extended to the next business day. Should the customer fail to make payment as specified, the Company may, beginning on the twenty-sixth (26th) day, assess simple interest at a rate equal to the prime rate as published in the Money Rates column in The Wall Street Journal. A late payment charge shall not be assessed on a residential customer, or on State, county or municipal government entities.

TERM:

Customer may discontinue service upon written notice to the Company, pursuant to the conditions of the Company’s Standard Gas Service Agreement (EGS-LV). The Company will continue service, and take all steps it deems reasonable to provide such service during the term specified in the Standard Gas Service Agreement (EGS-LV). Provided, however, that each year effective November 1 such agreement is subject to revision by the Company to reflect its ability to continue service at Standard Gas Service Agreement (EGS-LV) levels. No change in service level shall be effective unless the Company notifies the customer on or before May 1 of any year. Based upon such review, the Company may advise the customer that the Company cannot provide service

ELECTRIC GENERATION SERVICE – LARGE VOLUME (EGS-LV)
(Continued)

at such levels for the ensuing 12 month period, and further advise the customer as to what levels of service the Company can provide for such period. The customer shall have thirty (30) days from such notice to accept the revised levels of service, or terminate the Standard Gas Service Agreement (EGS-LV) effective the following November 1. If the customer does not so notify the Company of termination, in writing, the Standard Gas Service Agreement (EGS-LV) will be deemed revised to reflect the new levels of service, and in all other respects will remain in full force and effect. The Company will determine that a revision to levels of service specified in the Standard Gas Service Agreement (EGS-LV) is necessary, if not making such revisions would impact the Company's ability to provide service under Rate Schedules RSG, GSG, LVS, YLS, SLS or successor rate schedules.

TERMS AND CONDITIONS:

The General Terms and Conditions of this Tariff are incorporated into this rate schedule and this rate schedule shall be interpreted in accordance therewith.

SPECIAL PROVISIONS:

(a) Equipment served under this Rate Schedule EGS-LV must be metered separately from all other gas that may be used in a customer's facility. At the Company’s request, the Company will be provided with all engineering drawings related to the flow of fuel within the customer’s facility and will be provided with physical access to the customer's facility to confirm conformity with this Special Provision (a).

(b) The Company may install an electronic data collection system pursuant to Section 6.1 of the General Terms and Conditions of this Tariff. The Company shall provide technical assistance in order to minimize the customer’s expense for such installation.

(c) It is contemplated that service pursuant to this Rate Schedule EGS-LV shall be provided within the existing limitations of Company's system, and Company shall not be required to expand or alter the said system. Should Company, prior to the institution of service under this Rate Schedule EGS-LV in its sole reasonable discretion, elect to expand or alter its system in order to provide service pursuant to this Rate Schedule EGS-LV, Company may require the customer to make a payment towards all or a part of the cost of the said expansion or alteration as Company shall determine in Company's sole reasonable discretion. Provided, however, that before making such expansion or alteration, Company shall provide an estimate in writing of the cost of such expansion or alteration to customer. Provided, however, that the making of such a payment shall give the customer no interest in the Company’s system. All rights, including the rights of ownership and possession, shall be vested exclusively in the Company.

(d) Due to system constraints, the Company may instruct any one or all EGS-LV customers to limit all or any portion of customer’s EGS-LV Limited Firm Daily Contract Demand usage during a given twenty-four (24) hour period. Said instructions may be given orally or in writing but may be given on a maximum of sixty (60) days in any Winter Season. As used in this Rate Schedule EGS-LV “Winter Season” shall mean a period embracing the months of November through March, running consecutively. Such instructions shall only be given if, in the Company's sole reasonable discretion, service to its RSG, GSG, GSG-LV, LVS, EGS, YLS, SLS (or

ELECTRIC GENERATION SERVICE – LARGE VOLUME (EGS-LV)
(Continued)

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

(e) The Company may, at its sole reasonable discretion, offer a D-1 Demand Charge and a C-3 Commodity Charge on a negotiated basis. The D-1 charge, taken in combination with the Limited Firm C-3 charge, if applicable, may not be lower than an amount sufficient to generate a reasonable return on capital investments made by the Company and recovery of marginal and embedded costs, including depreciation, to provide service under this Rate Schedule EGS-LV. If such an offer is made it shall be based upon cost of service and value of service considerations, including but not limited to such factors as: (1) proximity of customer to the Company's transmission lines; (2) whether the customer will utilize the Company's interstate pipeline capacity; (3) whether the customer will provide its own gas supply; and (4) other pertinent factors. Such negotiated percentages and resultant rates shall be set forth in the Standard Gas Service Agreement (EGS-LV) and filed with the Board within thirty (30) days of execution, for approval. Service Agreements providing that the customer will pay the Benchmark Rates shown in the Monthly Rate section of this Rate Schedule (EGS-LV) shall not require filing with the Board. The Benchmark Rates contained in service agreements shall be subject to modification as provided by Special Provision (m) of this Rate Schedule EGS-LV. All agreements submitted to the Board shall contain an explanation regarding the term of the agreement. The Company, the customer, the Board and its Staff shall treat any Standard Gas Service Agreement (EGS-LV) filed or to be filed with the Board, any petition related thereto, supporting documentation or any discovery related thereto as proprietary and trade secrets of the Company. As such, the contents of such material shall not be disclosed to any party, unless that party executes a confidentiality agreement acceptable to the Company.

(f) The Firm and Limited Firm D-2 charges, and Firm and Limited Firm C-2 charge set forth above are subject to adjustment pursuant to Rider "A" of this Tariff. The Firm D-2 charge includes the highest interstate pipeline contract demand charge applicable to the Company at October 1 of each year, which will include, but not be limited to, pipeline demand charges, reservation fees, gas inventory charges and direct bill take-or-pay surcharges, plus applicable taxes. The Limited Firm D-2 charge shall equal one-half (1/2) the weighted average of all interstate pipeline demand charges applicable to the Company at October 1 of each year which will include, but not be limited to, pipeline demand charges, reservation fees, gas inventory charges and direct bill take-or-pay surcharges, plus applicable taxes. The Firm and Limited Firm D-2 charges will also recover all appropriate charges pursuant to Rider "G", of this Tariff.

(g) If during any month a customer utilizes gas in excess of that customer's aggregate Firm Daily Contract Demand for said month, or if applicable, a larger amount authorized by the Company, such usage may be subject to an additional charge (in addition to the charges set forth in the Monthly Rate section of this Rate Schedule EGS-LV). Such additional charge shall equal ten (10) times the highest price of the

ELECTRIC GENERATION SERVICE – LARGE VOLUME (EGS-LV)
(Continued)

daily ranges for that month that are published in Gas Daily in the table "Daily Price Survey" for delivery to "Transco, zone 6 non-N.Y.". This rate shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of Transcontinental Gas Pipe Line Corporation.

(h) A Customer generating electricity that qualifies pursuant to the provisions of N.J.S.A. 54:30A-50(c) shall be entitled to an appropriate rate reduction, to reflect the tax exemption.

(i) For Firm Transportation Service customers, the receipt of gas by the Company for transportation under this Rate Schedule EGS-LV shall equal the delivery of said gas to the customer on a daily basis, less a percentage for line loss. The line loss factor to be utilized will be the Company-wide line loss percentage.

(j) Notwithstanding any other provisions of this Rate Schedule EGS-LV, customers who have previously executed a Standard Gas Service Agreement (LVCS) shall continue, from and after June 30, 2004, and for as long as such previously executed Standard Gas Service Agreement (LVCS) shall remain in effect, to be charged in accordance with the terms of the existing Standard Gas Service Agreement (LVCS), and any addenda or amendments thereto. In this regard, such customers shall continue to be charged the LVCS D-1 and C-3 rates now charged by the Company, pursuant to the existing Standard Gas Service Agreements (LVCS), and any addenda or amendments thereto, until such customers no longer receive service pursuant to such Standard Gas Service Agreements (LVCS), and any addenda or amendments thereto. This Special Provision (k) shall be applicable to those Standard Gas Service Agreements (LVCS), and any addenda or amendments thereto in existence prior to August 29, 2003.

(k) The D-1 and C-3 rates set forth in the Monthly Rate section of this Rate Schedule EGS-LV are "Benchmark" Rates. Unless different rates are offered and accepted pursuant to Special Provision (e) the Benchmark Rates will be applicable.

(l) If the Benchmark Rates are applicable, the Customer will be subject to all future rate changes to such Benchmark Rates approved by the Board. Provided, however, that if negotiated rates are applicable, those negotiated rates will be subject to the same percentage changes that the Benchmark Rates are subject to through appropriate base rate proceedings. Provided, however, that agreements for negotiated rates may provide that the same percentage changes will not apply, if the Company provides justification for such non-applicability, and the Board finds it to be reasonable.

(m) For all customers who become customers under this Rate Schedule EGS-LV after July 1, 2004, any increases or decreases to Rider "E" and Rider "I" shall be applicable to the Benchmark Rates, as well as negotiated rates.

(n) Customers subscribing to this Rate Schedule EGS-LV may elect the "opt-out" provision provided for in the Standard Gas Service Agreement (EGS). Such an "opt-out" customer will have no right or entitlement to have base load gas provided by the Company. Provided, however, that a customer electing the "opt-out" provision shall be eligible to receive balancing services from the Company pursuant to appropriate rate schedules and riders. In the case that an "opt-out" customer can not provide for its capacity, gas supply, or both, the customer must either discontinue the use of base load

ELECTRIC GENERATION SERVICE – LARGE VOLUME (EGS-LV)
(Continued)

gas or have it provided by South Jersey at the incremental price. The incremental price charged to an "opt-out" customer shall be the sum of: (1) the highest commodity cost of gas paid by the Company during the month in which the "opt-out" customer uses "Company" gas; and (2) the higher of the cost of incremental capacity needed to serve the returning "opt-out" customer or the system weighted average cost of capacity, plus other charges which must be paid by customers eligible for South Jersey's Monthly BGSS charge.

(o) An "opt-out" customer will become eligible to purchase base load gas from the Company, or transport gas without "opt-out" status upon six months' notice to the Company of intention to no longer be an "opt-out" customer. It will not be necessary for an EGS-LV "opt-out" customer to execute a new Standard Gas Service Agreement in order to purchase base load gas from the Company or transport gas without "opt-out" status. However, the customer must commit to purchase base load gas or transport gas without "opt-out" status for a minimum of one year. At the end of the six month period specified in said notice, the customer shall no longer be obligated to pay the incremental prices set forth above. However, said customer will then be obligated to pay the higher balancing charge of $0.126 per Dt, including taxes. The Company will not have the right to waive this six month notice requirement.

(p) Customer shall contract for service under the Company's Standard Gas Service Agreement (EGS).

YARD LIGHTING SERVICE (YLS)

APPLICABLE TO USE OF SERVICE FOR:

Gas yard lighting where service is supplied through an installation furnished by the customer and approved by the Company. Each installation shall contain 1 upright mantle or 2 inverted mantles.

This rate is available only to an existing customer receiving service under this Rate Schedule, YLS, and not having other metered Service at the customer's present location as of the effective date of this Tariff.

CHARACTER OF SERVICE:

Firm Sales Service.

MONTHLY RATE:

The monthly charge shall be $13.209924 per month for each installation.

TERMS OF PAYMENT:

Payment of all bills must be received in full at the Company's designated office within ten (10) days of the billing date.

TERM:

Customer may discontinue service upon adequate written notice to the Company.

TERMS AND CONDITIONS:

The General Terms and Conditions of this Tariff are incorporated into this rate schedule and this rate schedule shall be interpreted in accordance therewith.

STREET LIGHTING SERVICE (SLS)

APPLICABLE TO USE OF SERVICE FOR:

Gas Street lighting where service is supplied through an installation approved by the Company. Each installation shall contain three (3) inverted mantles.

This rate is available only to an existing customer receiving service under this Rate Schedule, SLS, and not having other metered service at the customer's present location as of the effective date of this Tariff.

CHARACTER OF SERVICE:

Firm Sales Service.

MONTHLY RATE:

The Monthly Rate shall be $16.331676 per month for each installation.

TERMS OF PAYMENT:

Payment of all bills must be received in full at the Company's designated office within ten (10) days of the billing date.

TERM:

Customer may discontinue service upon adequate written notice to the Company.

TERMS AND CONDITIONS:

The General Terms and Conditions of this Tariff are incorporated into this rate schedule and this rate schedule shall be interpreted in accordance therewith.

INTERRUPTIBLE GAS SERVICE (IGS)

APPLICABLE TO USE OF SERVICE FOR:

Interruptible uses of gas by all customers.

CHARACTER OF SERVICE:

Interruptible Sales Service.

Service will be provided when the Company in its sole reasonable discretion deems sufficient gas supplies to be available for said service. Service may be interrupted or curtailed at the sole option of the Company after not less than three (3) hours advanced notice by telephone or otherwise. During periods of interruption, the Company may permit the continued use of gas for pilots. When permitted, such usage shall not be subject to the terms of Special Provision (b) of this rate schedule.

MONTHLY RATE:

(a) The rate per therm of gas under this Rate Schedule, IGS, shall be designed to yield at least a profit of $.01 per therm, after consideration of Costs Applicable.

(i) For a customer that certifies that it has, or is capable of having, an Alternate Fuel Capability of No. 6 oil, the appropriate price shall be that of No. 6 oil; or

(ii) For a customer that certifies that it has, or is capable of having, an Alternate Fuel Capability of No. 4 oil, the appropriate price shall be that of No. 4 oil; or

(iii) For a customer that does not certify that it has, or is capable of having, an Alternate Fuel Capability of No. 4 oil or No. 6 oil, the appropriate price shall be that of No. 2 oil.

(iv) For a Rate Schedule FES customer, the appropriate price shall be price at which said customer certifies that it is able to purchase fuels.

(b) RESERVED FOR FUTURE USE.

(c) The rate set under this Rate Schedule shall be established on or about the 27th day of each calendar month for the month succeeding said calendar month. Provided, however, that such rate shall be filed with the Board at least three (3) business days prior to its effective date.

APPLICABLE RIDERS:

Societal Benefits Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider “E” of this Tariff.
Energy Efficiency Tracker:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider “N” of this Tariff.

INTERRUPTIBLE GAS SERVICE (IGS)
(Continued)

TERMS OF PAYMENT:

Payment of all bills must be received in full at the Company's designated office within fifteen (15) days of the billing date; provided however, the Company shall take into account any postal service delays of which the Company is advised. If the fifteenth (15th) day falls on a nonbusiness day, the due date shall be extended to the next business day. Should the customer fail to make payment as specified, the Company may, beginning on the twenty-sixth (26th) day, assess simple interest at a rate equal to the prime rate as published in the Money Rates column in The Wall Street Journal. A late payment charge shall not be assessed on a residential customer, or on State, county or municipal government entities.

TERM:

Customer may terminate service upon written notice to the Company, pursuant to the conditions of the Company's Standard Gas Service Agreement (IGS), if applicable; otherwise, in order to effectuate a termination, customer must provide adequate notice to the Company.

TERMS AND CONDITIONS:

The General Terms and Conditions of this Tariff are incorporated into this Rate Schedule and this Rate Schedule shall be interpreted in accordance therewith.

SPECIAL PROVISIONS:

(a) On or about the 27th day of each calendar month during months when the Company believes it is necessary to do so, the Company shall notify customers under this Rate Schedule of the volumes of gas to be allotted to each customer during the forthcoming month. Within five (5) days of receipt of such notice the customer must notify the Company in writing whether it will purchase all, some specific portion, or none of the allotted gas. The customer shall be obligated to purchase at least fifty percent (50%) of the amount which customer indicates it will purchase during the month. If the customer purchases less than fifty percent (50%), the customer will be billed for the difference between actual consumption and seventy-five percent (75%) at a rate equal to the Monthly BGSS charge. If the customer purchases more than 100% of the amount customer indicates it will purchase, or a greater amount if the customer is authorized to utilize a greater amount by the Company, the amount in excess of 100% will be deemed unauthorized and be subject to the charge in Special Provision (c) of this rate schedule. Provided, however, that the amount which the customer indicates it will purchase during the month shall be reduced to the extent that any unforeseen failure of equipment during such month results in reduced gas consumption by said customer.

Further provided, that if service under rate schedule IGS is interrupted during any month, the amount nominated by the customer to be purchased during the month will be reduced by multiplying said amount by a fraction: (1) the numerator of which is the number of days in the month less the number of days during the month in which the Company could not serve any interruptible gas to the customer; and (2) the denominator of which is the number of days in the month.

INTERRUPTIBLE GAS SERVICE (IGS)
(Continued)

On any day that the Company does not offer to the customer at least fifty percent (50%) of the customer's daily nominated amount of IGS gas, the customer will receive credit for having used fifty percent (50%) of the daily nominated amount, when determining the purchase obligation under this Special Provision (a) provided that the customer uses some IGS gas on that day.

(b) Any customer who does not accept gas offered under this Rate Schedule within the period of time allotted by the Company shall be deemed to have rejected such offer and waived all entitlements to the offered gas.

(c) Due to system constraints, the Company may instruct any one or all IGS customers not to consume in excess of a Stated Amount of gas during a given twenty-four (24) hour period. Said instruction may be given orally or in writing. Any customer who then uses in excess of the Stated Amount may be invoiced for an additional charge (in addition to the charges set forth in the Monthly Rate Section of this Rate Schedule IGS). Such additional charge shall equal ten (10) times the highest price of the daily ranges for that month that are published in the Gas Daily in the table “Daily Price Survey” for delivery to “Transco, zone 6 non-N.Y.”. This charge shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of Transcontinental Gas Pipe Line Corporation. Provided, however, that the Company may waive such charges if a customer demonstrates extenuating circumstances. The imposition of such additional charges shall not restrict the Company's right to interrupt or curtail this service.

(d) At any time prior to the inception of billing of a filed rate for a given month, the Company may file a lower rate for that month to reflect market conditions. Any customer who accepts the Company's offer to use gas under this Rate Schedule within the period of time allotted by the Company shall be allowed the benefit of any rate decreases the Company may file pursuant to this provision.

(e) Cogeneration equipment must be metered separately from all other gas that may be used in a customer's facility.

(f) The Company may, in its reasonable discretion invoice a customer for the costs associated with metering cogeneration consumption.

(g) As a condition precedent to service under this Rate Schedule IGS, written application will be required by the customer on either of the following, as appropriate: (1) Standard Gas Service Agreement (IGS); (2) Standard Gas Service Agreement (LV); (3) Standard Gas Service Agreement (GS); (4) Standard Gas Service Agreement (EGS); or (5) Standard Gas Service Agreement (ITS).

(h) Any time during the month after a filed rate has been established and after adequate notice has been given to the Board and said customers, the Company may file a higher or lower rate. Any increase or decrease pursuant to this provision shall take place as necessary during any month, and then only upon three (3) hours' advance notice to customers by telephone or otherwise.

(i) RESERVED FOR FUTURE USE.

INTERRUPTIBLE GAS SERVICE (IGS)
(Continued)

(j) If a customer receives service under this rate schedule, and has propane facilities on its premises, the customer shall receive no benefit or priority of entitlement to gas allocations from the Company, unless said benefit or priority is provided by applicable State or Federal laws or regulations.

(k) During a month the Company may determine that service rendered under this Rate Schedule IGS will not, on a monthly or seasonal basis (the winter season being December, January or February, and all else being the summer season) experience at least $.01 profit per therm. In said event, the Company may determine that a deficit accounting balance exists and may impose a surcharge upon customers purchasing gas under this Rate Schedule IGS. The surcharge shall be assessed against customers purchasing gas under this Rate Schedule IGS, based upon volumes consumed during the month or months in which said deficit accounting imbalance arose.

(l) As of November 1 of each year, customers purchasing gas pursuant to this Rate Schedule IGS whose alternate fuels are No. 2 oil, No. 4 oil, jet fuel or kerosene are required to have seven (7) days of Alternate Fuel Capability, or, if that customer's on-site Alternate Fuel Capability storage capacity is less than seven (7) days, then that customer must have its Alternate Fuel Capability filled to capacity, and must have an additional firm contractual alternate fuel supply arrangement, so that when the firm contractual alternate fuel supply arrangement is taken together with that customer's Alternate Fuel Capability on hand, the sum total shall equal seven (7) days. No customer shall be required to acquire or construct additional Alternate Fuel Capability storage capacity, in order to meet the terms of this Special Provision (l).

(m) On or before November 1 of each year, each customer receiving gas pursuant to this Rate Schedule IGS must supply a Certification to the Company, certifying that the customer has met the requirements of Special Provision (l).

(n) All customers receiving gas service pursuant to this Rate Schedule IGS, whose alternate fuel is not either No. 2 oil, No. 4 oil, jet fuel or kerosene, and all such customers who agree to suspend operations during an interruption of Rate Schedule IGS service, are not required to maintain Alternate Fuel Capability in accordance with Special Provision (l). However, all such customers must file a Certification with the Company, indicating the customer's alternate fuel, or indicating the customer's agreement to discontinue operations during an interruption of Rate Schedule IGS service.

(o) Wholesale electric generators, including cogeneration customers, are exempt from the requirements of Special Provisions (l), (m) and (n) of this Rate Schedule IGS.

(p) The Company may install an electronic data collection system pursuant to Section 6.1 of the General Terms and Conditions of this Tariff.

(q) Any charges imposed pursuant to the above Special Provisions of this Rate Schedule IGS shall be in addition to other charges imposed pursuant to this Rate Schedule IGS.

INTERRUPTIBLE TRANSPORTATION SERVICE (ITS)

APPLICABLE TO USE OF SERVICE FOR:

Interruptible uses of gas to customers who hold clear and marketable title to gas that is made available for transportation service on the Company's system. Pursuant to this Rate Schedule ITS, the Company shall transport gas made available for transportation from the Company's City Gate Station to a designated point of delivery.

CHARACTER OF SERVICE:

Interruptible Transportation Service.

MONTHLY RATE:

Service Charge:

$106.875000 per month

Billable for the duration of the Standard Gas Service Agreement (ITS). The Service Charge will not be prorated.

Transportation Charge:

(a) For transportation of gas by customers served under Rate Schedules CTS, LVS, FES, or EGS-LV or industrial customers who have an annualized average interruptible use of 200 Mcf or more per day:

$.030400 per therm

(b) For transportation of gas by customers served under Rate Schedules GSG or GSG-LV that certify that they have an Alternate Fuel Capability of No. 6 oil.

$.099600 per therm

(c) For transportation of gas not qualified for delivery under Paragraph (a) or (b) of this Transportation Charge:

$.163700 per therm

Line Loss:

Line Loss shall be 1.43% as provided in Special Provision (m).

INTERRUPTIBLE TRANSPORTATION SERVICE (ITS)
(continued)

APPLICABLE RIDERS:

Societal Benefits Clause:	All gas consumed under this Rate Schedule ITS is subject adjustment pursuant to Rider "E" of this Tariff.
Balancing Service Clause:	All gas transported under this Rate Schedule ITS is subject to balancing requirements pursuant to Rate Schedule CTS, Rider "I" or Rider "J" of this Tariff.
Energy Efficiency Tracker:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "N" of this Tariff.

TERMS OF PAYMENT:

Payment of all bills must be received in full at the Company's designated office within fifteen (15) days of the billing date; provided however, the Company shall take into account any postal service delays of which the Company is advised. If the fifteenth (15th) day falls on a nonbusiness day, the due date shall be extended to the next business day. Should the customer fail to make payment as specified, the Company may, beginning on the twenty-sixth (26th) day, assess simple interest at a rate equal to the prime rate as published in the Money Rates column in The Wall Street Journal. A late payment charge shall not be assessed on a residential customer, or on State, county or municipal government entities.

TERM:

Customer may discontinue service upon written notice to the Company, pursuant to the conditions of the Company's Standard Gas Service Agreement (ITS).

TERMS AND CONDITIONS:

The General Terms and Conditions of this Tariff are incorporated into this rate schedule and this rate schedule shall be interpreted in accordance therewith.

SPECIAL PROVISIONS:

(a) Customer shall contract for ITS service with Company and designate a Scheduled Daily Delivery on the prescribed Standard Gas Service Agreement (ITS). For a period concurrent with the term of the Standard Gas Service Agreement (ITS), the customer must have executed at least one of the following: a Standard Gas Service Agreement (GS); a Standard Gas Service Agreement (LV); a Standard Gas Service Agreement (EGS); a Standard Gas Service Agreement (FES); or, a Standard Gas Service Agreement (IGS).

(b) Gas transported under this Rate Schedule ITS shall be utilized solely in equipment for which the customer has, or is capable of having, an Alternate Fuel Capability.

(c) The Company will not accept gas for delivery that will: (1) adversely impact the Company's rights to current or future supply or transportation allocations; or (2) impose any financial or burdensome administrative obligation on the Company that would not have existed without acceptance of such delivery by the Company.

INTERRUPTIBLE TRANSPORTATION SERVICE (ITS)
(continued)

(d) The customer bears sole responsibility for costs incurred to deliver transportation gas to the Company’s city gate station.

(e) Customer shall be required to reimburse the Company for any out-of-pocket expenses incurred in connection with the initiation and rendering of service under this Rate Schedule ITS. If the Company has accepted gas for delivery under this Rate Schedule and as a result thereof it incurs any financial or burdensome administrative obligation, the Company may impose a surcharge therefore.

(f) It is contemplated that service pursuant to this Rate Schedule ITS shall be provided within the existing limitations of Company’s system, and Company shall not be required to expand or alter the said system.

(g) Should Company, in its sole discretion, elect to expand or alter its system in order to provide service pursuant to this Rate Schedule ITS, Company may require the customer to make a payment towards all or a part of the cost of the said expansion or alteration as Company shall determine in Company's discretion. Provided, however, that before making such expansion or alteration, Company shall provide an estimate in writing of the cost of such expansion or alteration to customer. Customer shall then have the option of terminating the Transportation Service Agreement within ninety (90) days of the receipt of such estimate by written notice of termination. If customer does not so terminate, customer shall be required to make the payment required by this Special Provision (h). Further, provided, however, that the making of such a payment shall give the customer no interest in the Company's system. All rights, including the rights of ownership and possession, shall be vested exclusively in the Company.

(h) Company retains sole reasonable discretion as to whether or not a particular customer or particular customers shall receive service pursuant to this Rate Schedule ITS.

(i) Transportation Service may be curtailed or discontinued at the sole option of the Company after not less than three (3) hours, advance notice by telephone or otherwise. However, the customer shall continue to hold title to any gas (less line loss) received by Company and not delivered to customer prior to such curtailment or discontinuance.

(j) The customer who anticipates a need for gas in excess of its daily firm requirements and designated Scheduled Daily Delivery for transportation, must nominate the excess level required, by advising the Company of its request to use such gas by no later than 9:00 AM of the day preceding such use. If the Company agrees to supply such nominated gas, it will do so pursuant to the provisions of its IGS Rate Schedule.

(k) Gas consumption in excess of the nominated quantities described in Special Provision (k) of this Rate Schedule may be deemed unauthorized consumption and subject to the charges provided for in Special Provision (o) of this Rate Schedule. Provided, however, that the Company may waive such additional charge, in its sole reasonable discretion, if the customer demonstrates good cause for such consumption, and, such consumption does not adversely impact service to other customers. Further provided, however, that on any day during which gas receipts for a customer's account exceed gas utilized by the customer, after adjustment for line loss and sales authorized by the Company, such excess receipts will be subject to applicable balancing provisions of this Tariff.

INTERRUPTIBLE TRANSPORTATION SERVICE (ITS)
(continued)

(l) For the purpose of calculating monthly bills, all firm gas requirements (gas deemed purchased, Firm Transportation Service gas, or customer owned gas delivered under rate schedules CTS, GSG, GSG-LV, LVS, EGS, EGS-LV or FES, or Riders thereto) shall be deemed “first through the meter” and will be billed before any volumes will have been deemed to be delivered under this Rate Schedule ITS. Gas consumed in excess of firm gas and the Scheduled Daily Delivery pursuant to this Rate Schedule ITS will be billed upon Rate Schedule IGS.

(m) The receipt of gas by the Company for transportation under this Rate Schedule ITS shall equal the delivery of said gas to the customer on a daily basis, less a percentage for line loss. The line loss factor to be utilized will be the Company-wide line loss percentage.

(n) If gas is consumed for more than three (3) hours after a notice to discontinue or curtail service, and gas is not being simultaneously offered to the customer by the Company on an applicable interruptible sales rate schedule, such gas consumed shall be deemed as unauthorized use gas owned by the Company. If gas is being simultaneously offered to the customer by the Company on an applicable interruptible rate schedule, the customer shall be billed for such gas consumed on said rate schedule.

(o) Due to system constraints, the Company may instruct some or all ITS customers not to exceed the stated Scheduled Daily Delivery in the Standard Gas Service Agreement (ITS) during a given twenty-four (24) hour period. Said instruction may be given orally or in writing. Any customer who then uses in excess of its Scheduled Daily Delivery may be subject to an additional charge (in addition to the charges set forth in the Monthly Rate Section of this Rate Schedule ITS). Such additional charge shall equal ten (10) times the highest price of the daily ranges for that month that are published in the Gas Daily in the table “Gas Price Survey” for delivery to “Transco, zone 6 non-N.Y.”. This charge shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of Transcontinental Gas Pipe Line Corporation. Provided, however, that the Company may waive such charges if a customer demonstrates extenuating circumstances. The imposition of such additional charges shall not restrict the Company's right to interrupt or curtail this service. This charge shall also be applicable to unauthorized use gas.

(p) If a customer receives service under this rate schedule, and has propane facilities on its premises, the customer shall receive no benefit or priority of entitlement to gas allocations from the Company, unless said benefit or priority is provided by applicable State and Federal laws or regulations.

(q) The Company may install an electronic data collection system pursuant to Section 6.1 of the General Terms and Conditions of this Tariff. The Company shall provide technical assistance in order to minimize the customer’s expense for such installation.

(r) A customer scheduling gas for delivery may not schedule less than one dekatherm of gas for delivery under this Rate Schedule ITS on any day. All scheduling must be done in whole number dekatherms and not in fractions thereof.

INTERRUPTIBLE TRANSPORTATION SERVICE (ITS)
(continued)

(s) As of November 1 each year, customers transporting gas pursuant to this Rate Schedule ITS whose alternate fuels are No. 2 oil, No. 4 oil, jet fuel or kerosene are required to have seven (7) days of Alternate Fuel Capability, or, if that customer's on-site Alternate Fuel Capability is less than seven (7) days, then that customer must have an additional firm contractual alternate fuel supply arrangement, so that when the firm contractual alternate fuel supply arrangement is taken together with that customer's Alternate Fuel Capability on hand, the sum total shall equal seven (7) days. No customer shall be required to acquire or construct additional Alternate Fuel Capability storage capacity, in order to meet the terms of this Special Provision (t).

(t) On or before November 1 of each year, each customer transporting gas pursuant to this Rate Schedule ITS must supply a Certification to the Company, certifying that the customer has met the requirements of Special Provision (t).

(u) All customers transporting gas pursuant to this Rate Schedule ITS, whose alternate fuel is not either No. 2 oil, No. 4 oil, jet fuel or kerosene, and all such customers who agree to suspend operations during an interruption of Rate Schedule ITS service, are not required to maintain Alternate Fuel Capability in accordance with Special Provision (t). However, all such customers must file a Certification with the Company, indicating the customer's alternate fuel, or indicating the customer's agreement to discontinue operations during an interruption of Rate Schedule ITS service.

(v) Wholesale electric generators, including cogeneration customers, are exempt from the requirements of Special Provisions (t), (u) and (v) of this Rate Schedule ITS.

(w) Any charges imposed pursuant to the above Special Provisions of this Rate Schedule ITS shall be in addition to other charges imposed pursuant to this Rate Schedule ITS.

NATURAL GAS VEHICLE (NGV)

APPLICABLE TO:

This service will be available to Commercial and Industrial customers who will utilize natural gas, for the purpose of providing vehicle fuel at Company-operated fueling stations or at separately metered customer-operated fueling stations.

CHARACTER OF SERVICE:

Firm Sales Service or Firm Transportation Service

COMPRESSED NATURAL GAS VEHICLE SERVICE AT COMPANY OPERATED FUELING STATIONS

This part of the service is available for refueling vehicles with compressed natural gas to customers who refuel at Company operated fueling stations. All service at Company operated fueling stations shall be Firm Sales Service. Provided, however, that in the Company's sole discretion, it may allow for Firm Transportation service for a Customer-specific dedicated dispenser or time fill system (separately metered) at a Company operated fueling station.

Rate for Monthly Consumption

Volumetric Charge

C-1: $0.040471 per therm ($0.050589 GGE*)

Distribution Charge: $0.175738 per therm ($0.219672 GGE*)

Compression Charge: $0.581360 per therm ($0.726700 GGE*)

Commodity Charges

All consumption for customers who elected Firm Sales Service

Basic Gas Supply Service ("BGSS") Charge:

See Rider "A" of this Tariff.
BGSS rate * GGE Factor 1.25 = GGE

GGE indicates Gasoline Gallon Equivalent. The gasoline gallon equivalent shall be determined in accordance with local standards. The point of sale price to the Customer shall be displayed in gasoline gallon equivalents at public access dispensers at Company operated fueling stations, and shall be calculated as C-1 + Distribution Charge + Compression Charge + New Jersey Motor Vehicle Fuel Tax + Federal Excise Tax + BGSS.

Commodity charges do not include State of New Jersey Motor vehicle fuel tax and Federal Excise Tax. As of July 1, 2011 these taxes were $0.0525 and $0.183 per gallon, respectively and shall be charged at the prevailing rate when applicable. The Company is under no obligation to determine if a customer is exempt from taxation.

NATURAL GAS VEHICLE (NGV)
(continued)

NATURAL GAS VEHICLE SERVICE AT CUSTOMER OPERATED FUELING STATIONS

This part of the service is available for the sale of separately metered uncompressed gas for the use of the customer solely as a vehicle fuel as follows:

The customer agrees to obtain and maintain, at its expense, all necessary certificates, licenses and regulatory approvals and pay all taxes levied on the gas compressed for refueling the customer's vehicles;

If the customer provides natural gas for resale as a motor fuel, the customer will be responsible for collecting and paying all applicable taxes on the gas compressed for resale and on the sale thereof and for the metering of such sale in accordance with local standards and regulations; and

The customer must execute a Standard Gas Service Agreement (NGV) for not less than 12 months and must produce evidence of Land Rights.

Rate for Monthly Consumption

Monthly Customer Charge

The monthly customer charge shall be determined in accordance with the maximum delivery capability requested by the customer.

0-999 Cf/hour	$40.078100
1,000-4,999 Cf/hour	$80.156300
5,000-24,999 Cf/hour	$213.750000
25,000 and greater Cf/hour	$641.250000

Volumetric Charges

C-1: $0.040471 per therm ($0.050589 GGE)

Distribution Charge: $0.175738 per therm ($0.219672 GGE)

Basic Gas Supply Service ("BGSS") Charge:

All consumption for customers who elect Firm Sales Service See Rider "A" of this Tariff.

The customer shall pay all related motor vehicle taxes directly to the taxing entity. Such taxes shall be incremental to charges paid to the Company for the cost of receiving service under this rate schedule.

NATURAL GAS VEHICLE (NGV)
(continued)

DELIVERY SERVICE FOR NATURAL GAS VEHICLES

This part of service is available for delivery of customer owned natural gas for use in compression and dispensing equipment at the Customer's premises, as follows:

The customer must purchase under a contract with an initial term of not less than one year an adequate supply of natural gas of a quality acceptable to the Company, and must make arrangements by which such volumes of natural gas can be delivered into the Company's distribution system at the Customer's expense.

By taking service under this part, the Customer warrants that it has good and legal title to all gas supplied to the Company, and agrees to indemnify, defend and hold the Company harmless from any loss, claims or damages in regard to such title.

Rate for Delivery Service

Monthly Customer Charge

The monthly customer charge shall be determined in accordance with the maximum delivery capability requested by the customer.

0-999 Cf/hour	$40.078100
1,000-4,999 Cf/hour	$80.156300
5,000-24,999 Cf/hour	$213.750000
25,000 and greater Cf/hour	$641.250000

Volumetric Charge

C-1**:** $0.040471 per therm ($0.050589 GGE)

Distribution Charge**:** $0.175738 per therm ($0.219672 GGE)

Sales taxes are not included in the above basic charges. The Company is under no obligation to determine if a customer is exempt from taxation. Customers seeking tax exemption must file verification with the Company.

APPLICABLE RIDERS FOR COMPANY OWNED AND CUSTOMER OWNED STATIONS:

Basic Gas Supply Service Clause:	BGSS charges are depicted in Rider "A" of this Tariff for Firm Sales Service.
Societal Benefits Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "E" of this Tariff.
Balancing Service Clause:	All gas transported under this Rate Schedule NGV is subject to balancing requirements pursuant to Rider "I" or Rider "J" of this Tariff.

NATURAL GAS VEHICLE (NGV)
(continued)

Energy Efficiency Tracker: The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "N" of this Tariff.

TERMS OF PAYMENT:

Payment of all bills must be received in full at the Company's designated office within fifteen (15) days of the billing date; provided however, the Company shall take into account any postal service delays of which the Company is advised. If the fifteenth (15th) day falls on a nonbusiness day, the due date shall be extended to the next business day. Should the customer fail to make payment as specified, the Company may, beginning on the twenty-sixth (26th) day, assess simple interest at a rate equal to the prime rate as published in the Money Rates column in The Wall Street Journal. A late payment charge shall not be assessed on a residential customer, or on a State, county or municipal government entities.

TERM:

Customer may discontinue service upon written notice to the Company, pursuant to the terms of the Company's Standard Gas Service Agreement (NGV), if applicable, otherwise, in order to effectuate a termination, customer must provide adequate notice to the Company.

TERMS AND CONDITIONS:

The General Terms and Conditions of this Tariff are incorporated into this rate schedule and this rate schedule shall be interpreted in accordance therewith.

In addition, the term Land Rights shall mean such easements, licenses, consents or similar documents, in recordable form, that the Company deems reasonably sufficient to secure its rights to install equipment necessary to provide NGV service at the Customer's premises.

SPECIAL PROVISIONS:

a) The Company will require, as a condition precedent to the receipt of service under this Rate Schedule NGV, that an eligible customer execute a Standard Gas Service Agreement (NGV), to indicate, among other things, the customer's minimum and maximum capability to utilize gas under Rate Schedule NGV; the level of service; and the customer's Contract Demand.

b) The Company will not accept gas for delivery to Firm Transportation Service customers that will: (1) adversely impact the Company's rights to current or future supply or transportation allocations; or (2) impose any financial or burdensome administrative obligation on the Company that would not have existed without acceptance of such delivery by the Company.

c) The Firm Transportation Service customer bears sole responsibility for costs incurred to deliver customer owned gas to the Company's City Gate Station and to provide interstate pipeline capacity.

d) The Firm Transportation Service customer shall be required to reimburse the Company for any out-of-pocket expenses incurred in any financial or burdensome administrative obligation; the Company may impose a surcharge therefore.

NATURAL GAS VEHICLE (NGV)
(continued)

e) The Company may install an electronic data collection system pursuant to Section 6.1 of the General Terms and Conditions of this Tariff. The customer shall furnish an electrical supply and phone line for the operation of the device, in an area acceptable to the Company. The Company shall provide technical assistance in order to minimize the customer's expense for such installation.

f) The rates set forth in the Delivery Charge section of this Rate Schedule NGV assume that the customer receives balancing service under Rider "J" to this Tariff. If the customer selects balancing service under Rider "I" of this Tariff, then the Delivery Charges will be adjusted to reflect the Rider "I" Charges.

RIDER "A"
BASIC GAS SUPPLY SERVICE CLAUSE ("BGSSC")

APPLICABLE TO:

Rate Schedule RSG	-	Residential Service
Rate Schedule GSG	-	General Service
Rate Schedule GSG-LV	-	General Service – Large Volume
Rate Schedule LVS	-	Large Volume Service
Rate Schedule FES	-	Firm Electric Service
Rate Schedule EGS	-	Electric Generation Service
Rate Schedule EGS-LV	-	Electric Generation Service - Large Volume
Rate Schedule NGV	-	Natural Gas Vehicle

APPLICABLE RATES:

Periodic BGSS Subrider (Effective January 1, 2017)[1]:

Rate Schedule	BGSS Rate Before Taxes (per therm)	BGSS Rate With Taxes (per therm)
RSG	$0.330770	$0.354288
GSG (under 5,000 therms)	$0.330770	$0.354288

Monthly BGSS Subrider (Effective January 1, 2017):

Rate Schedule	BGSS Rate Before Taxes (per therm)	BGSS Rate With Taxes (per therm)
LVS C-2	$0.508351	$0.544495
FES	$0.426124	$0.456421
EGS	$0.555650	$0.595157
EGS-LV Firm C-2	$0.509469	$0.545693
EGS-LV Limited Firm C-2	$0.532001	$0.569827
GSG-LV	$0.555650	$0.595157
GSG (5,000 therms or greater)	$0.555650	$0.595157
NGV	$0.555650	$0.595157

The above Periodic and Monthly BGSS rates shall include the BGSS cost savings established in Rider "M" to this Tariff.

FILING:

This Subrider shall be applicable to all customers served under Rate Schedules RSG, and those GSG customers who do not meet the "Monthly Threshhold". This Periodic BGSS Subrider shall recover gas costs associated with service to customers served under this Subrider.

[1] Reflects currently approved Total BGSS Rate.

RIDER "A"
BASIC GAS SUPPLY SERVICE CLAUSE ("BGSSC")
(Continued)

PERIODIC BGSS SUBRIDER

The Company shall make an annual Periodic BGSS rate filing by no later than June 1st of each year, proposing a Periodic BGSS rate to be effective on or about the following October 1st. The Company shall have the discretion to file for two self-implementing rate increases, effective December 1st and February 1st, to its Periodic BGSS rate approved in the same BGSS Year. The purpose of each Periodic BGSS filing, shall be to recover gas costs pursuant to this Rider "A" and to achieve a zero or near-zero deferred balance by the following September 30.

Each self-implementing rate increase will be subject to a cap which will limit the increase so that the benchmark residential bill, using 100 therms, will not increase by more than five percent (5%). The self-implementing rate increases shall be pre-conditioned upon written notice by the Company to the BPU Staff and to the Division of Rate Counsel, given no later than November 1 and January 1, of the intention to implement a self-implementing rate increase on or about December 1 and February 1, respectively. The Company shall provide in its written notice the approximate amount of the self-implementing rate increase, based upon then current market data.
The Company shall have the discretion to implement a bill credit or a refund at any time during the BGSS Year with five (5) days notice to the BPU Staff and the Division of Rate Counsel. The Company shall have the discretion to file a self-implementing rate reduction without a cap at any time during the BGSS Year with two (2) weeks notice to the BPU Staff and the Division of Rate Counsel.

The notice of filing and of public hearing in the annual BGSS proceedings shall include the specific rate change proposed to be implemented on October 1st and a paragraph indicating that such proposed rates may be subject to self-implementing rate increases on or about the next December 1st and February 1st, subject to the 5% maximum caps for each of the two self-implementing increases. The notice shall also include the impact of such potential increases on a benchmark 100 therm residential bill.

The annual Periodic BGSS filing shall contain, but not be limited to, the following:

(1) A reconciliation of actual versus estimated costs and revenues from the last Board approved rate change for commodity costs, storage costs, and interstate transportation costs, including the costs and results of any supplies set by hedges;

(2) Projected rates supported by projected volumes, revenues, and commodity costs, transportation costs, storage costs and transaction costs, including the cost of supplies set by hedges;

(3) Deferred balances and the timeframe over which they are proposed to be collected or returned;

(4) A written explanation of the circumstances that caused the deferred balances in (3) above; and

(5) A written explanation of any significant activities or trends which may affect costs for the prospective period.

(6) Updated tariff sheets to reflect any change to the Periodic BGSS rate.

RIDER "A"
BASIC GAS SUPPLY SERVICE CLAUSE ("BGSSC")
(Continued)

PERIODIC FORMULA:

The formula for determining the annual and self-implementing Periodic BGSS rates shall be the sum of the following:

(1) A Commodity Cost which will be the sum of the weighted average prices including applicable transaction costs of the following categories of gas. Weighted average prices will be calculated based upon projected monthly volumes.

(a) an estimate of the cost of flowing gas, which will be equal to the arithmetic average of

(i) the NYMEX Henry Hub monthly prices as recorded on the close of trading for the forward contract month, estimated for the remaining BGSS Year; and

(ii) the weighted average of the estimated Index Prices, for the respective locations at which the Company purchases its gas, to be published in Inside FERC's Gas Market Report for the remaining BGSS Year; and

(b) any supplies whose price was previously set by hedges or other financial instruments; and

(c) supplies of gas withdrawn from storage.

(2) An estimate of the variable costs of transportation and fuel and line loss shall be made for the remaining BGSS Year, to the extent not included in (1), above.

(3) The Company shall estimate the total Firm Sales to be made during the remaining BGSS Year to customers served under this Subrider. The costs developed in Paragraphs (1) and (2) above shall be divided by such Firm Sales, in order to determine the per therm commodity cost recovery rate.

(4) A Non-Commodity Cost component that includes gas costs other than the Commodity Cost of Gas, including but not limited to all fixed pipeline costs, fixed supplier costs, fixed storage costs, pipeline refunds and similar credits, and other credits directed by the Board. The Non-Commodity Cost component shall be calculated on an equal per-therm basis for the BGSS Year.

(5) A deferred balance that will be returned to or recovered from customers over some future period.

MONTHLY BGSS SUBRIDER

FILING:

This Subrider shall be applicable to all customers served under Rate Schedules LVS, FES, EGS, EGS-LV GSG-LV, NGV and those customers served under Rate Schedule GSG who meet the Monthly Threshold. This Monthly BGSS Subrider shall recover gas costs associated with service to customers served under this Subrider.

RIDER "A"
BASIC GAS SUPPLY SERVICE CLAUSE ("BGSSC")
(Continued)

The Company will file self-implementing Monthly BGSS rates on the second day following the close of trading of the NYMEX Henry Hub gas contracts for each month. Within each monthly filing, the Company will provide the following:

(1) Documentation regarding the NYMEX Henry Hub close;

(2) Supporting schedules that document the actual/projected costs and sales volumes used to derive the monthly gas cost factor; and

MONTHLY FORMULA:

The formula for determining the Monthly BGSS rate shall be the sum of the following:

(1) The Company will calculate a Commodity Cost which will be comprised of the sum of arithmetic average of

(i) the closing price of the NYMEX Henry Hub gas contract for the following month and

(ii) the weighted average of the estimated Index Prices, for the respective locations at which the Company purchases its gas, to be published in Inside FERC's Gas Market Report for the remaining BGSS Year. Further, the calculation will not include hedging.

(2) An estimate shall be made of the variable costs of transportation and fuel and line loss for the subject month, to the extent not included in (1), above

(3) A Non-Commodity Cost component that includes gas costs other than the Commodity Cost of Gas, including but not limited to all fixed pipeline costs, fixed supplier costs, fixed storage costs, pipeline refunds and similar credits, and other credits directed by the Board. The Non-Commodity Cost component shall be calculated on an equal per-therm basis for the entire BGSS Year. This subparagraph (3) is not applicable to FES customers.

The result of the calculation from the Monthly Formula above shall be adjusted for Rate Schedules LVS and EGS-LV (Firm and Limited Firm) to derive the Monthly BGSS Rates by deducting therefrom the volumetric equivalent of the D-2 charges within the respective Rates Schedules. Said deductions shall be as follows:

	D-2 Deduction
Rate Schedule	Including Taxes
LVS	$.050662
EGS-LV Firm	$.049464
EGS-LV Limited Firm	$.025331

RIDER "A"
BASIC GAS SUPPLY SERVICE CLAUSE ("BGSSC")
(Continued)

SPECIAL PROVISIONS:

(1) The self-implementing Periodic BGSS and Monthly BGSS rate filings will be self-implementing compliance filings. The implementation of the rates will not require any further Order of the Board.

(2) Each self-implementing BGSS rate change will be posted on the Company's website within four (4) working days of its submission to the Board. Each other BGSS rate change will be posted on the Company's website within four (4) working days of receipt of a written order from the Board, approving such rate change.

(3) Updated tariff sheets to reflect any change to the Monthly BGSS rate.

(4) Interest shall be passed on to customers through the Periodic BGSS rate at the beginning of each BGSS Year succeeding any BGSS Year in which any monthly gas cost overrecovery has taken place. Any debit or credit balance in the separate deferred revenue or cost of gas accounts shall be determined monthly. Monthly interest shall be calculated on the average of the current and prior months' ending cumulative deferred revenue or cost of gas balances. Interest on such gas costs shall be calculated utilizing the Company's Board-allowed overall rate of return as the same shall be in effect from time to time.

(5) For the transition to the Monthly BGSS, the Company will estimate its net deferred balance as of March 1, 2003. Any underrecovery balance associated with Monthly BGSS customers will be collected over a period of up to twelve months based upon the estimated Firm Sales for the period. At the end of this period, if there is a remaining deferred cost balance to be recovered from the Monthly BGSS customers, the rate component used to recover such balance in the prior twelve month period shall be continued into future months until the deferred balance becomes positive as an overrecovery, which then will be transferred to the Periodic BGSS mechanism.

(6) Gas costs and related recoveries from the Monthly BGSS will flow to the deferred balance in the Periodic BGSS mechanism.

(7) As used in this Tariff, BGSS Year shall mean a twelve (12) month period commencing October 1 and ending September 30.

(8) "Left blank intentionally."

(9) As used in this Rider "A" the term "Monthly Threshold" shall mean an annualized usage of 5,000 therms or more. A customer has the right to request a review for reclassification from monthly back to Periodic BGSS pricing. The Company shall review, once each year, Rate Schedule GSG customers' usage and anytime at the request of an individual customer, for the most recent calendar year to determine which customer(s) meet the Monthly Threshold. If appropriate, the customer will be returned to Periodic BGSS billing.

RIDER "B"

RESERVED FOR FUTURE USE

RIDER "C"
TRANSPORTATION INITIATION CLAUSE (TIC)

APPLICABLE TO:

Rate Schedule RSG	-	Residential Service
Rate Schedule GSG	-	General Service

This Rider "C" shall be known as the Transportation Initiation Clause (TIC) and will be charged to all RSG and GSG customers.

PURPOSE OF RIDER "C":

The purpose of the TIC is to enable the Company to recover both capital expenditures and operating costs associated with Electronic Data Interchange (EDI), including consulting costs and transaction costs.

ANNUAL TIC FILING:

On or about August 31 of each year, to be effective the next succeeding November 1, the Company shall file with the Board a proposed TIC rate. The TIC filing will be based upon the costs and expenditures incurred during the previous August 1 through July 31. The costs proposed for recovery will be subject to review for reasonableness, and to assure that they are costs associated with EDI, and not costs which would have been spent for computer upgrades, irrespective of the implementation of EDI.

TIC costs shall be calculated by utilizing the total capital expenditures and operating costs associated with the EDI process, including consulting and transaction costs, net of the TIC over or underrecovery balance, applying monthly carrying costs to the resulting amount using the interest rate applicable to the Company's SBC underrecoveries and overrecoveries. The resulting TIC costs shall be divided by the annual forecasted volumes for the rate classes set forth above. The resulting rate shall be adjusted for all applicable taxes and assessments.

The TIC shall be collected on a per therm basis and shall remain in effect until changed by order of the Board. The TIC charge will be:

($0.001009) per therm

The TIC will be recovered through the Delivery Charge of each of the rate schedules referred to above, and will subject to deferred accounting.

The TIC will remain in effect until the Company's next base rate case, or until such time as the Board, upon petition by any interested party, shall issue an order terminating the TIC. Recovery of some or all operating costs shall be subject to reevaluation as to the appropriateness of recovery of such costs through the TIC within two years of implementation of the TIC, or such earlier time as the Board may establish on its own motion, or, upon petition by any interested party

RIDER "D"
CUSTOMER OWNED GAS CLAUSE (COGC)

APPLICABLE TO:

Rate Schedule EGS-LV	-	Electric Generation Service - Large Volume
Rate Schedule FES	-	Firm Electric Service

This Rider "D" shall be known as the Customer Owned Gas Clause (COGC) and may be offered by the Company, in the Company's sole reasonable discretion to all EGS-LV and FES customers, who hold clear and marketable title to gas that is made available for delivery to customer's facility on the Company's system. Pursuant to this Rider "D" the Company shall deliver gas made available at the Company's City Gate Station to a designated point of delivery. The character of service under this Rider "D" is Firm Transportation Service.

(1) Customers receiving gas under this Rider "D" shall not pay the C-2 portion of the Volumetric Rate but shall pay all other rates, charges and fees of the applicable Rate Schedule.

(2) The receipt of gas by the Company for transportation under this Rider "D" shall equal the delivery of said gas to the customer on a daily basis, less a percentage for line loss. The line loss factor to be utilized will be the Company-wide line loss percentage.

(3) Any gas delivered by the Company under this Rider "D" shall be deemed gas purchased by a customer under the applicable rate schedule. The terms and conditions of said rate schedule shall be applicable thereto.

(4) The Company will not accept gas for delivery that will: (1) adversely impact the Company's rights to current or future supply or transportation allocations; or (2) impose any financial or burdensome administrative obligation on the Company that would not have existed without acceptance of such delivery by the Company.

(5) The customer bears sole responsibility for costs incurred to deliver customer owned gas to the Company's city gate station.

(6) Customer shall be required to reimburse the Company for any out-of-pocket expenses incurred in connection with the initiation and rendering of service under this Rider D. If the Company has accepted gas for delivery under this Rate Schedule and as a result thereof it incurs any financial or burdensome administrative obligation, the Company may impose a surcharge therefor.

(7) Company retains sole discretion as to whether or not a particular customer or particular customers shall receive service pursuant to this Rider D.

(8) The Company may install an electronic data collection system pursuant to Section 6.1 of the General Terms and Conditions of this Tariff.

RIDER "D"

CUSTOMER OWNED GAS CLAUSE (COGC)
(Continued)

(9) The existence of imbalances will be determined each day. If at the beginning of a day a customer has an imbalance, the gas to fulfill that customer's daily Contract Demand for that day will be the first gas through the meter on that day.

(10) The Company may waive any charges associated with imbalances, in its sole reasonable discretion, if the customer demonstrates good cause for such imbalances, if the customer presents a plan for eliminating such imbalances, and such plan will not adversely impact service to other customers. The Company may require that such plan be implemented in full, and completed, within a time period specified by the Company in order for such a waiver to take place.

(11) A customer may supply its own interstate pipeline capacity, upon authorization by the Company. The Company may grant such authorization in its sole, reasonable discretion. Should an FES or EGS-LV customer supply its own interstate pipeline capacity, gas delivered to the Company's City Gate Station within that capacity may result in a credit against the D-2 charge. The D-2 charge shall be reduced by a credit which is equal to the amount which the customer pays to the interstate pipeline for such capacity. Provided, however, that no credit shall take place in the event that the interstate pipeline capacity supplied by the customer, has been acquired from sources other than the Company. For FES or EGS-LV customers the credit will be calculated as a demand charge per Mcf. The credits provided for by this Paragraph (11) will not affect any other applicable charges referred to in Paragraphs (1) and (2) of this Rider "D".

(12) A customer scheduling gas for delivery may not schedule less than one dekatherm of gas for delivery under this Rider "D" on any day. All scheduling must be done in whole number dekatherms and not in fractions thereof.

BALANCING SERVICE CLAUSE:

All customer owned gas delivered pursuant to this Rider "D" is also subject to Rider "I" of this Tariff.

RIDER "E"
SOCIETAL BENEFITS CLAUSE (SBC)

APPLICABLE TO:

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

This Rider "E" shall be known as the Societal Benefits Clause (SBC). The SBC is established pursuant to the provisions of Section 12 of the "Electric Discount and Energy Competition Act", P.L. 1999, c.23. The SBC shall recover: (1) the costs of the Company's Clean Energy Program; and (2) the costs which the Company incurs in connection with manufactured gas plant remediation; and (3) the cost incurred for the statewide Universal Service Fund ("USF") Permanent and Lifeline Credits and Tenants Assistance Program established by Board Order dated July 16, 2003 in docket No. EX000200091; and (4) other costs determined by the Board to be recoverable through the SBC.

With the exception of the Universal Service Fund, interest on SBC underrecoveries and overrecoveries will be calculated at an interest rate ("Interest Rate") which will be adjusted each August 31, and will be based upon seven year constant maturity treasuries as shown in the Federal Reserve Statistical Release on or closest to August 31 of each year, plus sixty (60) basis points. In addition, the Company recovers Manufactured Gas Plant ("MGP") Environmental Remediation Costs through Rider "G" of this Tariff. These Remediation Costs are recovered over periods of seven years, and the Company shall recover interest on resulting unamortized balances at the Interest Rate. The Universal Service Fund section of this Rider "E" contains the calculation of the USF interest rate.

A petition to establish the Societal Benefits Clause will be filed with the Board on or about July 31, of each year.

REMEDIATION ADJUSTMENT CLAUSE AND CLEAN ENERGY PROGRAM CLAUSE:
The Remediation Adjustment Clause ("RAC") shall be calculated in accordance with the provisions of Rider "G" of this Tariff and the Clean Energy Program ("CLEP") Clause shall be calculated in accordance with the provisions of Rider "K" of this Tariff. The charges developed pursuant to Riders "G" and "K" shall be recovered through, and as part of, the SBC. All gas consumed or transported under Rate Schedules RSG, GSG, GSG-LV,EGS, EGS-LV, CTS, LVS, FES, IGS, ITS and NGV shall recover the RAC, in accordance with this Rider "E". All gas consumed or transported under Rate Schedules RSG, GSG, GSG-LV, CTS , LVS, FES, EGS, EGS-LV, ITS and NGV shall recover the CLEP, in accordance with this Rider "E".

OTHER RECOVERABLE EXPENSES:
Other expenses as the Board shall determine to be appropriate for recovery pursuant to the SBC shall be recovered through, and as part of the SBC. All gas consumed or transported under Rate Schedules RSG, GSG, GSG-LV, EGS, CTS and ITS shall recover expenses as the Board shall determine to be appropriate for recovery pursuant to the SBC.

RIDER "E"
SOCIETAL BENEFITS CLAUSE (SBC)
(Continued)

UNIVERSAL SERVICE FUND:

Pursuant to the "Electric Discount and Energy Competition Act", N.J.S.A. 48:3-49, the Board established the Permanent Universal Service Fund ("USF") and the Lifeline Credit and Tenants Assistance Program ("Lifeline") both of which will be collected from Rate Schedules RSG, GSG, GSG-LV, EGS, EGS-LV, CTS, LVS, FES, IGS, ITS and NGV. The USF and Lifeline factors established in this Rider "E" were set forth by the Board.

Pursuant to Section 12b of the "Electric Discount and Energy Competition Act", N.J.S.A. 48:3-60b, the Board established an Interim Universal Service Fund. All gas consumed under Rate Schedules RSG, GSG, GSG-LV, EGS, EGS-LV, CTS, LVS and FES shall recover the Company's contributions toward the Universal Service Fund (over a twelve month period on a forecasted basis in accordance with this Rider "E").

Pursuant to Section 12b of the "Electric Discount and Energy Competition Act", N.J.S.A. 48:3-60.1, electric generators that use natural gas and/or natural gas delivery service to generate electricity that is sold for resale are to be exempt from paying the societal benefit charge on the throughput used to generate electricity that is sold for resale. In order to determine the percentage of the throughput exmpt from the SBC, a customer must provide a form of Annual Certification which will provide the percentage of the customer's throughput that will be exempt from the SBC. South Jersey Gas will forward the forms to the customer in December to be updated for each subsequent calendar year's actual experience. If the customer does not return the completed forms by January 15, then the SBC will be assessed on all of the customer's usage. If the customer returns the forms on or before January 15, then adjustments to the customer's bills will be made on a prospective basis beginning in February of the subsequent year.That is, commencing in February, the customer's SBC charge will be adjusted based on the percentage of the customer's throughtput from the prior calendar year used to generate electricity that was sold for resale.

The interest rate on USF under and over recoveries shall be the interest rate based on a two-year constant maturity Treasuries as published in the Federal Reserve Statistical Release on the first day of each month (or the closest day thereafter on which the rates are published), plus sixty basis points, but shall not exceed the Company's overall rate of return as authorized by the Board.

Rates subject to this Rider have been adjusted to recover the following Societal Benefit Charges:

Rate Schedule and Appropriate Rate		RAC	CLEP	USF (Including Lifeline)	SBC
Rate Schedule RSG	Delivery	.010477	.012723	.012700	.035900
Rate Schedule GSG	Delivery	.010477	.012723	.012700	.035900
Rate Schedule GSG-LV	Delivery	.010477	.012723	.012700	.035900
Rate Schedule EGS	Delivery	.010477	.012723	.012700	.035900

RIDER "E"
SOCIETAL BENEFITS CLAUSE (SBC)
(Continued)

Rate Schedule and Appropriate Rate		RAC	CLEP	USF (Including Lifeline)	SBC
Rate Schedule EGS-LV	C-1	.010477	.012723	.012700 [1]	.035900
Rate Schedule CTS	C-1FT	.010477	.012723	.012700	.035900
Rate Schedule LVS	C-1/C-1FT	.010477	.012723	.012700	.035900
Rate Schedule FES	C-1FT	.010477	.012723	.012700	.035900
Rate Schedule IGS	Monthly Rate	.010477	N/A	.012700	.023177
Rate Schedule ITS	Monthly Rate	.010477	.012723	.012700	.035900
Rate Schedule NGV	Delivery	.010477	.012723	.012700	.035900

[1] This element of the Societal Benefits Charge will not be applicable to those customers with special existing contracts limiting their rate exposure, until the expiration of those contracts, in accordance with the Orders of the Board of Public Utilities in Docket No. EX00020091.

RIDER "F"

TEMPERATURE ADJUSTMENT CLAUSE (TAC)

APPLICABLE TO:

Rate Schedule RSG	-	Residential Service
Rate Schedule GSG	-	General Service
Rate Schedule GSG-LV	-	General Service – Large Volume

(a) This Rider "F" shall be known as the Temperature Adjustment Clause (TAC). It shall be utilized to adjust the Company's revenues in cases wherein temperatures experienced during a Base Year yield more or less degree days than were experienced on a twenty-year normal basis, plus or minus one-half (1/2%) percent of the sum of the Cumulative Normal Degree Days, for the twenty-year period utilized in the Company's then most recent base rate case. This adjustment will be effectuated through a credit or surcharge applied to customers' bills during the year succeeding the Base Year, which succeeding year shall be known as the Adjustment Year. The credit or surcharge will also be adjusted to reflect Base Year under recoveries or over recoveries pursuant to this TAC.

(b) Each Base Year, and each Adjustment Year shall begin on October 1 and end on May 31 and shall include only the months of October, November, December, January, February, March, April and May.

(c) The Company will determine on a monthly basis, Degree Days, Cumulative Degree Days, Normal Degree Days, Cumulative Normal Degree Days, Deadband Degree Days and Cumulative Deadband Degree Days for each month during the Base Year. Cumulative Deadband Degree Days will be added to or subtracted from Cumulative Normal Degree Days to yield an Upper Level or Lower Level Degree Day Threshold. If the experienced cumulative Degree Days at the end of a Base Year month is higher than the Upper Level of the Degree Day Threshold, or lower than the Lower Level, a Degree Day Adjustment will be made. The factors for use in this TAC are based on the 20-year average calculated in Docket No.GR13111137, and are based upon information obtained from the National Oceanic and Atmospheric Administration ("NOAA"), and will be adjusted in future base rate proceedings. Should a NOAA station utilized by the Company be abandoned, become inoperable, or otherwise become unusable, the Company may substitute data from a nearby NOAA station. When this becomes necessary, the Company will promptly notify the Staff of the Board and the Division of the Ratepayer Advocate. The factors for the TAC are as follows:

	Normal Degree Days	Cumulative Normal Degree Days	Deadband Degree Days	Cumulative Deadband Degree Days
Oct.	261	261	1	1
Nov.	531	792	3	4
Dec.	829	1,621	4	8
Jan.	962	2,583	5	13
Feb.	825	3,408	4	17
Mar.	662	4,070	3	20
Apr.	350	4,420	2	22
May	137	4,557	1	23
TOTAL	4,557		23	

RIDER "F"

TEMPERATURE ADJUSTMENT CLAUSE (TAC)
(Continued)

Degree Day Threshold

	Upper Level	Lower Level
Oct.	262	260
Nov.	796	788
Dec.	1,629	1,613
Jan.	2,596	2,570
Feb.	3,425	3,391
Mar.	4,090	4,050
Apr.	4,442	4,398
May	4,580	4,534

(d) The Degree Day Adjustment will be multiplied by a Degree Day Consumption Factor to derive the Therm Adjustment. The Degree Day Consumption Factor will be determined by first determining a factor for actual heat sensitive use per degree day per customer, for Rate Schedule RSG, and Rate Schedules GSG and GSG-LV heating load based upon actual usage on a cumulative basis through the end of each Base Year.

(e) The Therm Adjustment will be multiplied by the margin in the respective rate classes resulting in the adjustment to revenue. The margin is then calculated by adjusting out gas costs and associated revenue taxes. This calculation will take place only after Base Year months when the cumulative number of degree days at the end of the Base Year month is higher than the Upper Level of the Degree Day Threshold, or lower than the Lower Level.

(f) On or before August 31 of each Base Year, the Company will file in a petition with the Board, a proposed adjustment factor (“TAC Factor”) to be effective in the Adjustment Year following the then current Base Year. The proposed factor shall be the same for each rate schedule and shall be derived based upon the outstanding adjustment after May of each Base Year as developed in Paragraph (e), divided by the projected sales and transportation volumes for both rate schedules. The TAC Factor will be expressed as a rate per unit of sale. The TAC Factor will be effectuated through a credit or surcharge applied to customers' bills during the Adjustment Year. The credit or surcharge will also be adjusted to reflect over or under recoveries from the previous TAC year. The TAC Factor will be effective with the commencement of the Adjustment Year. At the end of the Adjustment Year, the TAC factor will terminate and the Company will file tariff pages with the Board reflecting this termination. It is subject to an earnings review analysis set forth in the Stipulation accepted by the Board in Docket No. GR91071243J.

RIDER "F"

TEMPERATURE ADJUSTMENT CLAUSE (TAC)
(Continued)

The TAC Factor shall apply to all gas sold and transported under Rate Schedules RSG, GSG and GSG-LV.

The charge will be applied to the Rate Schedule RSG, GSG and GSG-LV Delivery Charges as follows:

	Per Therm
TAC Factor per therm	$0.0000
Applicable Revenue Tax Factor	1.0022
TAC Factor Per Therm	$0.0000
Applicable NJ Sales Tax Factor	1.07
TAC Factor Per Therm with NJ Sales Tax	$0.0000

(g) The Temperature Adjustment Clause shall not operate to cause the Company to earn in excess of its allowed rate of return on common equity of 9.75% for any twelve month period ending October 31; any revenue which is not recovered will not be deferred. For purposes of this paragraph (g), the Company's rate of return on common equity shall be calculated by dividing the Company's net income for such annual period by the Company's average 13 month common equity balance for such annual period, all data as reflected in the Company's monthly reports to the Board of Public Utilities. The Company's net income shall be calculated by subtracting from total net income the Company's share of margins from: (1) Interruptible Sales; (2) Interruptible Transportation; (3) On-System Capacity Release; (4) Off-System Sales and Capacity Release; and (5) the Storage Incentive Mechanism.

(h) As used in this Rider "F", the following terms shall have the meanings ascribed to them herein:

(i) **"DEGREE DAYS"** is the difference between 65F and the daily mean temperature, on days when the daily mean temperature is below 65F. The daily mean temperature is the simple average of the 24 hourly temperature observations for a day taken at each of the National Oceanic and Atmospheric Administration Measuring points used by the Company. The sum of these differences for every day of the month is total degree days for that month.

RIDER "F"

TEMPERATURE ADJUSTMENT CLAUSE (TAC)
(Continued)

(ii) **"CUMULATIVE DEGREE DAYS"** is the accumulation of total degree days for each month in the Base Year.

(iii) **"NORMAL DEGREE DAYS"** is the level of calendar month degree days to which test year sales volumes were normalized in the base rate proceeding that established the current base rates for the service classifications to which this clause applies.

(iv) **"CUMULATIVE NORMAL DEGREE DAYS"** is the accumulation of normal degree days for each month in the Base Year.

(v) **"DEADBAND DEGREE DAYS"** shall be one-half (1/2%) percent of the Normal Degree Days.

(vi) **"CUMULATIVE DEADBAND DEGREE DAYS"** shall be one-half (1/2%) percent of the Cumulative Normal Degree Days.

Note: Sections (a) through (e) shall be utilized only to calculate the value of the weather-related changes in customer usage. The deadband degree days shall not be included in the calculation. For all other purposes, sections (a) through (e), and section (g), shall be suspended as of October 1, 2006. Section (f) above shall be suspended upon completion of recovery of the TAC Margin Excess and Deficiency for the 2004-2005 and 2005-2006 Base Years, respectively. Such suspensions shall remain in effect for the duration of the Conservation Incentive Program Mechanism, Rider "M".

RIDER "G"
REMEDIATION ADJUSTMENT CLAUSE (RAC)

APPLICABLE TO:

Rider "E" - Societal Benefits Clause

Ninety days prior to November 1 of each year, the Company shall file with the Board of Public Utilities a Remediation Adjustment Clause (RAC) factor based on remediation costs and third party expenses/claims in the preceding Remediation Year. The RAC factor shall be recovered through, and as part of, the Societal Benefits Clause, Rider "E" to this Tariff.

The RAC Factor will be determined as follows:

I. Definition of Terms Used Herein

1. "Remediation Costs" are defined as all investigations, testing, land acquisition if appropriate, remediation and/or litigation costs/expenses or other liabilities excluding personal injury claims and specifically relating to gas manufacturing facility sites, disposal sites, or sites to which material may have migrated, as a result of the operation or decommissioning of gas manufacturing facilities.

2. "Recovery Year" is defined as each November 1 to October 31 period on a going forward basis, and is the time period over which annual amortizations shall be recovered from customers pursuant to this Rider "G".

3. "Remediation Year" is defined as each August 1 to July 31 period on a going forward basis, and is the time period over which the Remediation Costs are incurred.

4. "Third Party Claims" are all claims brought by the Company against any entity, including insurance companies, from which recoveries of costs may be received and will be charged through the RAC Factor as follows:

   a) Fifty percent (50%) of the reasonable transaction costs and expenses in pursuing Third Party Claims shall be included as Remediation Costs and shall be recovered as part of the Remediation Adjustment Clause. The remaining 50% shall be deferred without carrying costs until such time as the specific claim is resolved.

   b) In the event that the Company is successful in obtaining a recovery from a Third Party Claim, the Company shall be permitted to retain the deferred 50% share of the reasonable transaction costs and expenses from the recovery associated with that Third Party Claim. The balance of the recovery, if any, shall be applied against the current year's Remediation Costs to be recovered from or credited to ratepayers through the next amortization calculation.

5. "Before Tax Cost Rate" (BTCR) is the result of the calculation of the weighted cost of capital allowed in the Company's most recent base rate case minus the weighted cost of debt allowed in the Company's most recent base rate case divided by one minus the combined tax rate, plus the weighted cost of debt.

6. "Deferred Tax Benefit" (DTB) shall be returned to ratepayers during each Recovery Year in an amount equal to those given by the formula:

RIDER "G"

REMEDIATION ADJUSTMENT CLAUSE (RAC)
(Continued)

$$DTB_{n,YR} = ARC_n * [(7-X)/7] * BTCR_{yR} * TR_{YR}$$

Where:

DTB = The amount of the Deferred Tax Benefit in Recovery Year YR that is to be subtracted from one seventh the amount of the Remediation Costs incurred in Remediation Year n and which is to be recovered in Recovery Year YR.

ARCn = The amount of the Actual Remediation Costs incurred in remediation year n.

X = The number of years that the Actual Remediation Costs incurred in remediation year n have been subject to amortization (X = 1, 2, 3... 6).

BTCRyr Rate= The Before Tax Cost rate which shall be equal to the Before Tax Cost of capital allowed in the Company's most recent base rate case.

TryR = The effective combined Federal and State income tax rate.

7. Sale of Property

a) Generally - Should the Company sell a former manufactured gas plant site, any proceeds of such sale, exclusive of all reasonable expenses associated with such sale and taxes directly related to the sale, but not delinquent real estate taxes, up to the total costs incurred in remediating the specific site, shall be applied against the current year's Remediation Costs to be recovered from or credited to ratepayers. In the event that any proceeds are available above the total Remediation Costs of the site, the balance of the proceeds shall then be shared equally between the Company and the ratepayers.

b) Atlantic Avenue - In the event that the Company sells its property at Atlantic Avenue (and Michigan Avenue), the Company and its ratepayers shall each be entitled to a fifty percent (50%) share of the net proceeds of sale. As to the Atlantic Avenue, net proceeds shall equal gross proceeds less the sum of (1) net book cost as of the closing of sale; (2) costs of sale including professional fees, real estate commissions, taxes and title insurance; and (3) Remediation Costs previously paid by ratepayers relative to Atlantic Avenue.

The gross proceeds of sale shall be first applied to net book cost of the property, then to costs of sale. The Environmental Response costs shall be shared as provided in a), Generally, above. Any excess over Remediation Costs recovered at Atlantic Avenue shall then be shared equally between the Company and its ratepayers as provided in a), Generally, above. Any Remediation Costs incurred after a sale of Atlantic Avenue Property shall be treated as Remediation Costs.

RIDER "G"

REMEDIATION ADJUSTMENT CLAUSE (RAC)

(Continued)

c) If the Company intends to sell a former manufactured gas plant site, it shall notify and provide the Board with details of any proposed sale at least sixty (60) days prior to any such sale.

II. Determination of the Remediation Adjustment

At least ninety (90) days prior to the commencement of each Recovery Year, the Company shall, among other material, file with the Board and serve upon Rate Counsel, and such other Parties as shall request the same, all bills and receipts relating to as well as a schedule depicting the particular purpose for the expenditure of the amount of any Remediation Costs incurred in the preceding Remediation Year for which it seeks to begin recovery in the upcoming Recovery Year, for each remediation site and a calculation of the proposed Remediation Adjustment Clause level. In that same filing, the Company shall include similar material and information to support any costs/expenses and/or recoveries resulting from Third Party Claims or sales of remediated gas manufacturing sites. The Company shall also submit in its annual filing a projection of Remediation Costs for the following Remediation Year. In addition, the Company will include a listing and status of applicable insurance policies for each site.

The RAC factor shall be calculated by taking one seventh of the Actual Remediation Costs plus applicable Third Party Claims and Sale of Property allocations incurred each year, until fully amortized, less the Deferred Tax Benefit plus the prior years' RAC remediation adjustment. This amount is then divided by the Company's total volume of prospective sales for the upcoming recovery year.

All gas consumed under Rate Schedules RSG, GSG, GSG-LV, CTS, LVS, FES, EGS, EGS-LV, IGS, ITS and NGVshall recover Remediation Costs. The charge brought forward to Rider "E" for these Rate Schedules is as follows:

	RSG, GSG, GSG-LV, EGS, EGS-LV, LVS, FES CTS, IGS, ITS and NGV
Average Cost per therm	$.009781
Applicable Revenue Tax Factor	1.0022
RAC Per Therm	$.009803
Applicable NJ Sales Tax Factor	1.06875
RAC Per Therm with NJ Sales Tax	$.010477 =======

RIDER "G"

REMEDIATION ADJUSTMENT CLAUSE (RAC)
(Continued)

The total annual charge to the Company’s ratepayers for Remediation Costs during any Recovery Year shall not exceed five (5) percent of the Company's total revenues from firm gas sales and firm transportation during the preceding Remediation Year. In the event that the total annual charge to the Company's ratepayers for Remediation Costs during any Recovery Year exceeds 5% of the Company's total revenues from firm gas sales and firm transportation during the preceding Remediation Year, the Parties agree that, upon the request of any Party, the Board may reopen consideration of the instant mechanism. If no reopening occurs, and in the event that this limitation results in the Company recovering less than the amount that would otherwise be recovered in a particular Recovery Year, beginning with the date upon which the annual charge would have been effective, carrying costs shall accrue to the Company upon the amount by which the total annual charge to its ratepayers is less than that otherwise allowable.

Carrying costs shall accrue through the Recovery Year in which such amount, together with any accumulated carrying costs, is actually recovered by the Company from its ratepayers and shall accrue at the Before Tax Cost Rate allowed in the Company's most recent base rate case.

III. Tracking the Operation of the Remediation Adjustment Clause

The revenues billed, net of taxes and assessments through the application of the Remediation Adjustment factor shall be accumulated for each month and be applied against the total amortized Remediation Costs calculated for that year. The Remediation Adjustment Clause shall be reconciled annually, with the amount of any projected over- or under-collection to be debited or credited to the total annual Remediation Adjustment Clause level for the following Recovery Year. The over- or under-collection will be based on 10 months actual data and 2 months projected data for the Recovery Year.

Issued November 29, 2013 **Effective with service rendered**
by South Jersey Gas Company, **on and after October 1, 2014**
J. DuBois, President

Filed pursuant to Order in Docket No. GR13111137 of the Board of Public Utilities, State of New Jersey, dated September 30, 2014

RIDER "H"

RESERVED FOR FUTURE USE

RIDER "I"
BALANCING SERVICE CLAUSE - LARGE VOLUME (BSC-LV)

APPLICABLE TO:

Rate Schedule GSG-LV	-	General Service-Large Volume
Rate Schedule LVS	-	Large Volume Service
Rate Schedule FES	-	Firm Electric Service
Rate Schedule EGS	-	Electric Generation Service
Rate Schedule EGS-LV	-	Electric Generation Service – Large Volume
Rate Schedule ITS	-	Interruptible Transportation Service
Rate Schedule CTS	-	Comprehensive Transportation Service
Rate Schedule NGV	-	Natural Gas Vehicle

This Rider "I" shall be known as the Balancing Service Clause - Large Volume (BSC-LV) and will be applicable to all EGS-LV and FES customers who utilize Rider “D” to this Tariff, and to all LVS and EGS-LV Firm Transportation Service, and ITS customers. This Rider "I" will also be applicable to all Rate Schedule GSG-LV Firm Transportation Service and NGV Firm Transporation customers who have installed electronic meter reading equipment, pursuant to the provisions of Section 6.1 of the General Terms and Conditions of this Tariff and who elect to take their balancing service under this Rider "I", rather than under Rider "J". The Volumetric Charge, under the monthly Rate Section shall be the only element in this Rider applicable to Firm Sales Service customers subscribing to Rate Schedules LVS and EGS-LV.

MONTHLY RATE:

Volumetric Charge:

BS-1: $0.0027 per therm for all gas delivered under Rate Schedules LVS, EGS-LV, NGV and CTS who “opt-out” as provided for in the Standard Gas Service Agreements (LV) and (EGS).

BS-1: $0.0126 per therm for all gas delivered under Rate Schedules GSG-LV, EGS, and under Rate Schedules LVS, EGS-LV, NGV and CTS who do not “opt-out”, including Firm Sales Service customers

Cash-Out Charges and Credits:

To be determined monthly in accordance with the methodology set forth in Paragraphs (12), (13) and (14) of this Rider "I".

DEFINITIONS:

(1) "Gas Consumption" means the volume of gas utilized by the customer, as measured at the customer's meter. Gas Consumption will be displayed on the Company's Electronic Bulletin Board ("EBB"). However, the responsibility for balancing shall remain with the customer even if the Company's EBB is inoperative.

(2) On any day during which gas receipts for a customer's account exceed Gas Consumption, after adjustment to reflect line loss and sales authorized by the Company for this customer, a daily "Excess Imbalance" results. Provided, however, that as to those ITS customers, who had an annualized average use of 27 Mcf per day or less of gas, Daily Excess Imbalances shall be computed on a monthly basis.

RIDER "I"

BALANCING SERVICE CLAUSE - LARGE VOLUME (BSC-LV)
(Continued)

(3) On any day during which Gas Consumption exceeds gas receipts for a customer's account, after adjustment to reflect line loss and sales authorized by the Company, a daily "Deficiency Imbalance" results. Provided, however, that as to those ITS customers, who had an annualized average use of 27 Mcf per day or less of gas, Daily Deficiency Imbalances shall be computed on a monthly basis.

(4) Daily Deficiency Imbalances and Daily Excess Imbalances may be collectively referred to as "Daily Imbalances".

(5) "Net Monthly Imbalance" means the net of a customers Daily Imbalances, if any, during a month. If monthly Gas Consumption exceeds monthly gas receipts for a customer's account, a Monthly Deficiency Imbalance results and if monthly gas receipts exceed monthly Gas Consumption, a Monthly Excess Imbalance results.

BALANCING:

(6) Customers shall use their best efforts to ensure that the daily volumes of gas scheduled for delivery into the Company's system for the customer's account, adjusted to reflect line loss and sales authorized by the Company, equal the volumes of daily Gas Consumption by the customer.

(7) Customers shall be responsible for maintaining a balance between volumes of daily deliveries into the Company's system and daily Gas Consumption, adjusted to reflect line loss and sales authorized by the Company. Customers may maintain a balance through a combination of deliveries for their account and sales authorized by the Company.

(8) Certain levels of Daily Imbalances will be subject to a corrective plan, as provided in Paragraph 9 of this Rider "I". Daily Imbalances of this level will be referred to as "Imbalances Requiring Action" or "IRA". An Excess Imbalance will become an IRA during the winter season if daily receipts exceed daily Gas Consumption by five (5%) percent, and during the summer season if daily receipts exceed daily Gas Consumption by seven and one half (7.5%) percent. A Deficiency Imbalance will become an IRA during the winter season if daily Gas Consumption exceeds daily receipts by five (5%) percent, and during the summer season if daily Gas Consumption exceeds daily receipts by seven and one half (7.5%) percent. The winter season, as used herein, is from November 1 through March 31. The summer season is from April 1 to October 31.

Generally, the existence of an IRA will be determined for each customer, on an individual customer basis. However, for those customers who execute an Aggregation Agreement, acceptable to the Company, IRAs will be determined in the aggregate for all members of the Aggregation Group.

(9) If a customer has an IRA as demonstrated on the Company's EBB, the customer must present a plan within forty-eight (48) hours of such demonstration to eliminate the IRA. Such plan must not, inter alia, adversely impact service to other customers, affect system integrity, or affect the Company's gas supply planning. If the plan presented by the customer is unacceptable to the Company, the Company will present an alternative plan. If the customer fails to present, within 48 hours after such demonstration, a plan to eliminate

RIDER "I"

BALANCING SERVICE CLAUSE - LARGE VOLUME - (BSC-LV)
(Continued)

such IRA or fails to comply with a plan accepted by or offered by the Company, the customer shall be subject either to (a) billing for volumes of Gas Consumption in excess of receipts at a rate equal to five (5) times the Net Monthly Deficiency Imbalance Cash-Out Charge within this Rider "I", assuming a System Impact Charge of one (1.0); or (b) a buyout of the excess of receipts over volumes of Gas Consumption at a rate equal to one-fifth (1/5) of the Net Monthly Excess Imbalance Cash-Out Credit within this Rider "I", assuming a System Impact Charge of one (1.0).

(10) Notwithstanding any other provision of this Rider "I", if the Company determines in its sole reasonable discretion that it is necessary to do so to alleviate operating conditions which may threaten the integrity of its system, the Company may issue an Operational Flow Order ("OFO") to some or all customers subject to this Rider "I". The Company shall provide customers and their Aggregator/Marketers with notice of an OFO by posting the same on the Company's EBB, and by facsimile transmission. In addition, the Company may provide notice by telephone or otherwise of said OFO. Such notice shall be effective within twenty-four hours of posting unless exigent circumstances require shorter notice, which shorter notice shall be specified in the posting. The OFO may direct, inter alia, the cessation of the creation of Deficiency Imbalances or of Excess Imbalances and that customers make a good faith effort to eliminate existing Deficiency Imbalances or Excess Imbalances. For purposes of this paragraph (10) of this Rider "I" if a customer is a member of a Customer Group pursuant to an Aggregator/Marketer's Agreement, Deficiency Imbalances and Excess Imbalances for that customer and for all members of the Customer Group shall be aggregated. Failure to comply with an OFO Imbalance shall result in the creation of an OFO Deficiency Imbalance or of an OFO Excess Imbalance. The customer may be invoiced for any OFO Deficiency Imbalance or any OFO Excess Imbalance at a rate of $50.00 per Mcf for each day that said OFO Deficiency Imbalance or OFO Excess Imbalance remains in effect. In addition, after the Company has taken the steps set forth in this paragraph (10), any customer failing to adhere to an OFO shall be subject to immediate termination of all gas service.

(11) Any customer receiving service subject to this Rider "I" must maintain computer capability necessary to access the Company's EBB directly or through an Aggregator and/or Marketer pursuant to an Aggregator's/Marketer's Agreement acceptable to the Company. Provided, however, that ITS customers with an annualized average use of 27 Mcf per day or less are exempted from the provisions of this Paragraph (11) of this Rider "I".

CASH-OUT CHARGES AND CREDITS:

(12) A customer or an Aggregator/Marketer authorized to act on a customer's behalf may exchange an imbalance with another customer or Aggregator/Marketer authorized to act on a customer's behalf. In the exchange, a Monthly Deficiency Imbalance may be exchanged for a Monthly Excess Imbalance of equal quantity. The Company will notify the Aggregators/Marketers and customers not represented by an Aggregator/Marketer each month of all outstanding imbalances and shall allow five (5) days to complete exchanges and notify the Company of all exchanges upon a prescribed form

RIDER " I "

BALANCING SERVICE CLAUSE - LARGE VOLUME (BSC-LV)
(Continued)

(13) Each month, the Company shall "cash out" Net Monthly Deficiency Imbalances as follows:

(a) Customers with a Net Monthly Deficiency Imbalance shall be charged on their bills, for service provided during such month, an amount equal to the product of (i) the Net Monthly Imbalance quantity times (ii) one hundred ten percent (110%) of the simple average of daily postings of Transcontinental Gas Pipe Line Corporation's (Transco’s) Zone 6 Daily Midpoint reported each day during the month in which the Deficiency Imbalance occurred, in the Daily Price Survey in the Gas Daily; times (iii) a System Impact Charge ("SIC").

(b) In the case of Monthly Deficiency Imbalance, if:

(i) Monthly Gas Consumption exceeds monthly receipts by seven and one-half (7.5%) percent of Gas Consumption or less, the SIC will be one (1);

(ii) Monthly Gas Consumption exceeds monthly receipts by more than seven and one-half (7.5%) percent but less than fifteen (15%) percent, the SIC will be one and three tenths (1.3);

(iii) Monthly Gas Consumption exceeds monthly receipts by fifteen (15%) percent or more, the SIC will be two (2).

(c) All cash out charges under this Paragraph (12) shall be adjusted by multiplying them by 1.07 to reflect New Jersey Sales and Use Tax.

(14) Each month, the Company shall "cash out" Net Monthly Excess Imbalances as follows:

(a) Customers with a Net Monthly Excess Imbalance shall receive on their bills, for service provided during such month, a credit equal to the product of (i) the Net Monthly Imbalance quantity times (ii) ninety percent (90%) of the simple average of daily postings of Transco’s Zone 6 Daily Midpoint reported each day during the month in which the Excess Imbalance occurred, in the Daily Price Survey in the Gas Daily; less (iii) a capacity charge factor of $.0050 per therm; times (iv) a System Impact Charge (“SIC”).

(b) In the case of a Monthly Excess Imbalance, if:

(i) Monthly receipts exceed monthly Gas Consumption by seven and one-half (7.5%) percent of Gas Consumption or less, the SIC will be one (1);

(ii) Monthly receipts exceed monthly Gas Consumption by more than seven and one-half (7.5%) percent but less than fifteen (15%) percent, the SIC will be two-thirds (2/3);

(iii) Monthly receipts exceed monthly Gas Consumption by fifteen (15%) percent or more, the SIC will be one-half (1/2).

Issued November 29, 2013 **Effective with service rendered**
by South Jersey Gas Company, **on and after October 1, 2014**
J. DuBois, President

Filed pursuant to Order in Docket No. GR13111137 of the Board of Public Utilities, State of New Jersey, dated September 30, 2014

RIDER "I"

BALANCING SERVICE CLAUSE - LARGE VOLUME - (BSC-LV)
(Continued)

(15) For purposes of the cash out provisions of this Rider "I", generally, determinations will be made for each customer on an individual customer basis. However, for those customers who execute an Aggregator/Marketer Agreement, acceptable to the Company, "cash out" calculations will be determined in the aggregate for all members of the Aggregate Group.

OTHER PROVISIONS:

(16) All charges under this Rider "I" of this Tariff, as well as charges under Rate Schedules EGS-LV, FES, LVS, ITS, NGV or GSG-LV (if the customer has elected to have transportation charges invoiced by the Aggregator/Marketer), as well as the Aggregator/Marketer's Fee will be invoiced to the Aggregator/Marketer, in accordance with the Aggregator/Marketer's Agreement. Otherwise, charges will be billed to the customer. Payment of all invoices to the Aggregator/Marketer or to the customer must be received in full at the Company's designated office within fifteen (15) days of the billing date; provided, however, the Company shall take into account any postal service delays of which the Company is advised. If the fifteenth (15th) day falls on a nonbusiness day, the due date shall be extended to the next business day. Should the Aggregator/ Marketer fail to make payment as specified, the Company may, beginning on the twenty-sixth (26th) day, assess simple interest at a rate equal to the prime rate as published in the Money Rates column in The Wall Street Journal.

(17) All charges under Rate Schedules GSG-LV, NGV, EGS-LV, FES, LVS or ITS will be invoiced to the individual customers, who shall be solely responsible for these charges, as well as these Rider "I" charges when a customer has no Aggregator/Marketer.

(18) In the event that, during any month the sum of the month-to-date Deficiency Imbalances or Excess Imbalances, for non-Force Majeure reasons, for an Aggregator/Marketer exceeds three (3) times the ACD, the Company will immediately notify the Aggregator /Marketer via telephone, e-mail, facsimile or similar means. If Deficiency Imbalances or Excess Imbalances reach five (5) times the ACD, the following will occur: (1) the Aggregator /Marketer is no longer eligible to function as an Aggregate/Marketer on the Company's system until the conditions set forth in this paragraph (18) are satisfied, but not before the first (1st) day of the following month; and (2) for the balance of the current month and for future months, the affected Aggregator /Marketer's customers will be supplied natural gas by the Company and will be billed on a prorated basis according to the following schedule:

Rate Schedule	Billing Charge
GSG-LV	Monthly BGSS Rate
LVS	Monthly BGSS Rate
FES	Firm Market Volumetric Charge
EGS	Monthly BGSS Rate
EGS-LV	Monthly BGSS Rate
ITS	Monthly Rate pursuant to Rate Schedule IGS
CTS	Monthly BGSS Rate
NGV	Monthly BGSS Rate

RIDER "I"

BALANCING SERVICE CLAUSE - LARGE VOLUME - (BSC-LV)
(Continued)

Such customers will be charged on a prorated basis upon the appropriate Rate Schedule, including all Special Provisions of the appropriate Rate Schedule for gas delivered, including gas deliveries resulting in imbalances, prior to the implementation of the revised billing rate.

In order to be reinstated as an eligible Aggregator/Marketer, following termination of Aggregator/Marketer status for Deficiency Imbalances or Excess Imbalances as set forth above, the Aggregator/Marketer in addition to meeting all other applicable requirements must post and maintain for one (1) year security in a credit facility satisfactory to the Company in an amount equal to two (2) times that which would otherwise be required by the Company. At the conclusion of that year and assuming no additional occurrence of Deficiency Imbalances or Excess Imbalances as described above, the Aggregator/Marketer will be released from its obligation to provide security in excess of that otherwise required by the Company. If an additional Deficiency Imbalance or Excess Imbalance as described above occurs during that one-year period, the Aggregator/Marketer will be disqualified as an Aggregator/Marketer upon the Company's system for an additional one (1) year period.

As used in this Paragraph (18), ACD shall mean the aggregate of all Contract Demands, expressed in dekatherms, of all customers served by an Aggregator /Marketer under an applicable Rate Schedule. For a customer who does not have a Contract Demand, the Company shall supply a quantity to be used in lieu thereof.

(19) The BS-1 Charge within Volumetric Charge portion of this Rider "I" shall not be applicable to: (i) customers receiving deliveries of gas pursuant to Rate Schedule ITS; and (ii) customers receiving deliveries of gas pursuant to Rate Schedule FES and who utilize Rider "D" to this Tariff.

(20) Any charges imposed pursuant to the above Paragraphs (1) through (21) of this Rider "I" shall be in addition to other charges imposed pursuant to this Rider "I".

RIDER "J"
BALANCING SERVICE CLAUSE - GENERAL SERVICE (BSC-GS)

APPLICABLE TO:

Rate Schedule RSG	-	Residential Service Gas
Rate Schedule GSG	-	General Service Gas
Rate Schedule GSG-LV	-	General Service Gas – Large Volume
Rate Schedule EGS	-	Electric Generation Service
Rate Schedule NGV	-	Natural Gas Vehicle

This Rider "J" shall be known as the Balancing Service Clause - General Service (BSC-GS) and will be applicable to all RSG Firm Transportation Service customers and GSG Firm Transportation Service customers. This Rider “J” will also be applicable to GSG-LV, NGV and EGS Firm Transportation customers who elect to take balancing service under this Rider “J”. Provided, however, that pursuant to the terms of Rider "I" certain GSG-LV, NGV and EGS Firm Transportation Service customers may elect to take balancing service pursuant to Rider "I". The Volumetric Charge, under the Monthly Rate Section, shall be the only element in this Rider applicable to Firm Sales Service customers subscribing to Rate Schedules RSG,GSG, GSG-LV, NGV and EGS.

MONTHLY RATE:
Volumetric Charge:

BS-1: $.050400 per therm for all gas delivered under the applicable rate schedules in addition to the following:

DCQ AND BUY-OUT CHARGE:

(1) "Daily Contract Quantity" (DCQ) for all customers except for Rate Schedule RSG Firm Transportation Service customers shall mean a quantity of gas determined annually by the company. The DCQ shall be determined for each of the forthcoming twelve (12) months by dividing the customer's weather-normalized usage for each of the most recent twelve (12) months by the total number of days in each month. The Company may adjust the customer's DCQ during any twelve (12) month period, due to changes in the customer’s gas equipment or pattern of usage or other acceptable information provided by the customer. For New Customers, the customer's initial DCQ will be estimated by the Company, based upon the rating of the customer's gas equipment and expected utilization of the equipment. Customer will be obligated to deliver or cause to be delivered to the Company's city gate station the customer's DCQ each day for the customer's account.

The DCQ for Rate Schedule RSG Firm Transportation Service customers shall mean a quantity of gas determined by the Company. The DCQ shall be determined separately for Rate Schedule RSG Firm Transportation Service customers who are heating customers, and for those who are non-heating customers (“Heating Group” and “Non-Heating Group”). The DCQ for both the Heating Group and the Non-Heating Group shall be determined on a Company system-wide, weather normalized basis. The Company will determine the DCQ for each customer in the Heating Group, which will be the same for all members of the Heating Group, and for each customer in the Non-Heating Group, which will be the same for all members of the Non-Heating Group, each month. The Aggregator/Marketer will be obligated to deliver or cause to be delivered to the Company’s City Gate Station, each day, the DCQ for each customer within that Aggregator/Marketer’s Aggregated Group.

A review of service provided to Rate Schedule RSG Firm Transportation Service customers shall be performed after twelve (12) months service, and every twelve (12) months thereafter. Upon such review, in the

RIDER "J"
BALANCING SERVICE CLAUSE - GENERAL SERVICE (BSC-GS)
(Continued)

event that a customer's account has a negative balance, the Aggregator/Marketer shall have thirty (30) days to pay back such negative balance. Prior to making such pay-back, the Aggregator/Marketer must get approval to do so from the Company, which may, at its sole reasonable discretion, extend the pay-back period. If a negative balance remains after thirty (30) days, the Aggregator/Marketer will be charged the Rate Schedule RSG Firm Sales Service customer rates multiplied by each therm of negative balance. If the customer's account has a positive balance, the Company will purchase such gas at the Buy-Out Price provided for in this Rider "J".

(a) At the end of each Winter Season, and at the end of each Summer Season, the Company will calculate the difference between the customer's actual usage and actual deliveries, and will adjust the DCQ beginning with the second month succeeding the end of each Winter Season and each Summer Season by said difference divided by the total number of days remaining in the Winter Season or the Summer Season. Provided that such an adjustment will not decrease any month's adjusted DCQ to a level less than zero. Any such adjustments that result in a particular month's DCQ being less than zero will be carried to a future month.

(b) Upon termination of transportation service under the applicable rate schedules the Company shall review the status of customer's account. In the event that customer's account has a negative balance, the customer shall have thirty days to pay back such negative balance. If any negative balance remains after thirty days, the customer will be charged the Rate Schedule GSG Firm Sales Service rates multiplied by each therm of negative balance. If customer's account has a positive balance, the Company will purchase such gas at the Buy-Out Price.

(2) As used in this Rider "J" "Buy-Out Price", shall mean a price equal to the lowest price of gas delivered to the Company's system during the month the positive balance or an Excess Imbalance occurs.

BALANCING:

(3) On any day during which gas receipts for a customer's account exceed DCQ, after adjustment to reflect line loss and sales authorized by the Company for the customer, a daily "Excess Imbalance" results.

(4) On any day during which DCQ exceeds gas receipts for a customer's account, after adjustment to reflect line loss and sales authorized by the Company for the customer, a daily "Deficiency Imbalance" results.

(5) Customers shall use their best efforts to ensure that the daily volumes of gas scheduled for delivery into the Company's system for the customer's account, adjusted to reflect line loss and sales authorized by the Company, are equal to the customers' DCQ.

(6) Each customer shall be responsible for maintaining a balance between volumes of daily deliveries into the Company's system adjusted to reflect line loss and sales authorized by the Company for the customer and the customer's DCQ. Each customer may maintain a balance through a combination of deliveries for its account and sales authorized by the Company.

(7) If, on any day, an Excess Imbalance exists for the account of a customer, the excess may be bought by the Company at one third of the Buy Out Price. Moreover, an Excess Imbalance may not be utilized to discharge a

RIDER "J"

BALANCING SERVICE CLAUSE - GENERAL SERVICE (BSC-GS)
(Continued)

Deficiency Imbalance or in any other way be utilized by the customer to discharge transportation obligations.

(8) If, on any day, a Deficiency Imbalance up to and including five percent (5%) exists for the account of a customer, the customer may be billed for such Deficiency Imbalance at a rate equal to five (5) times the applicable sales rate under Rate Schedules RSG Firm Sales Service, GSG Firm Sales Service, GSG-LV Firm Sales Service, NGV Firm Sales Service or EGS Firm Sales Service. If, on any day, a Deficiency Imbalance of greater than five percent (5%) exists for a customer's account, the customer may be billed a charge equal to ten (10) times the applicable sales rate under Rate Schedules RSG Firm Sales Service, GSG Firm Sales Service, GSG-LV Firm Sales Service, NGV Firm Sales Service or EGS Firm Sales Service.

(9) Notwithstanding any other provision of this Rider "J", if the Company determines in its sole reasonable discretion that it is necessary to do so to alleviate operating conditions which may threaten the integrity of its system, the Company may issue an Operational Flow Order ("OFO") to some or all customers subject to this Rider "J". The Company shall provide customers and their Aggregator/Marketers with notice of an OFO by posting the same on the Company's EBB, and by facsimile transmission. Alternatively, the Company may provide notice by telephone or otherwise of said OFO. Such notice shall be effective within twenty-four hours of posting unless exigent circumstances require shorter notice, which shorter notice shall be specified in the posting. The OFO may direct, inter alia, the cessation of the creation of Deficiency Imbalances or of Excess Imbalances and that customers make a good faith effort to eliminate existing Deficiency Imbalances or Excess Imbalances. For purposes of this paragraph (9) of this Rider "J" if a customer is a member of a Customer Group pursuant to an Aggregator/Marketer's Agreement, Deficiency Imbalances and Excess Imbalances for that customer and for all members of the Customer Group shall be aggregated. Failure to comply with an OFO shall result in the creation of an OFO Deficiency Imbalance or of an OFO Excess Imbalance. The customer may be invoiced for any OFO Deficiency Imbalance or for any OFO Excess Imbalance at a rate of $50.00 per Mcf of such OFO Deficiency Imbalance or OFO Excess Imbalance for each day that said OFO Deficiency Imbalance or OFO Excess Imbalance remains in effect. In addition, after the Company has taken the steps set forth in this paragraph (9), any customer failing to adhere to an OFO shall be subject to immediate termination of all gas service.

(10) Any customer receiving service subject to this Rider "J" must maintain computer capability necessary to access the Company's EBB directly or through an Aggregator and/or Marketer pursuant to an Aggregator's/Marketer's Agreement acceptable to the Company.

OTHER PROVISIONS:

(11) Under no circumstances shall the Company be obligated to deliver more than the customer's DCQ for the customer's account. Provided, however, that nothing in this paragraph (11) of this Rider "J" shall affect the customer's ability to consume gas in excess of the DCQ. Moreover, if the DCQ shall prove insufficient or excessive in any respect for the customer's needs, the Company shall not assume any responsibility or liability of any kind for such excess or insufficiency.

RIDER "J"

BALANCING SERVICE CLAUSE - GENERAL SERVICE (BSC-GS)
(Continued)

(12) All charges under this Rider "J" of this Tariff, as well as charges under Rate Schedules RSG Firm Transportation Service, GSG Firm Transportation Service, GSG-LV Firm Transportation Services, NGV Firm Transportation Service or EGS Firm Transportation Service as well as the Aggregator/Marketer's Fee will be invoiced to the Aggregator/Marketer, in accordance with the Aggregator's/Marketer's Agreement. Otherwise, charges will be billed to the customer. Payment of all invoices to the Aggregator/Marketer or to the customer must be received in full at the Company's designated office within fifteen (15) days of the billing date; provided, however, the Company shall take into account any postal service delays of which the Company is advised. If the fifteenth (15th) day falls on a nonbusiness day, the due date shall be extended to the next business day. Should the Aggregator/Marketer fail to make payment as specified, the Company may, beginning on the twenty-sixth (26th) day, assess simple interest at a rate equal to the prime rate as published in the Money Rates column in The Wall Street Journal.

(13) When a customer has no Aggregator/Marketer, all charges under Rate Schedule GSG Firm Transportation Service will be invoiced to the individual customers, who shall be solely responsible for these charges, as well as these Rider "J" charges.

(14) In the event that, during any month the sum of the month-to-date Deficiency Imbalances or Excess Imbalances, for non-Force Majeure reasons, for an Aggregator/Marketer exceeds three (3) times the ADCQ, the Company will immediately notify the Aggregator /Marketer via the telephone, facsimile or similar means. If Deficiency Imbalances or Excess Imbalances reach five (5) times the ADCQ, the following will occur: (1) the Aggregator/Marketer is no longer eligible to function as an Aggregator/Marketer on the Company's system until the conditions set forth in this paragraph (14) are satisfied, but not before the first (1st) day of the following month; and (2) for the balance of the current month and for future months, the affected Aggregator/Marketer's customers will be supplied natural gas by the Company and will be billed on a prorated basis according to the following schedule:

Rate Schedule	Billing Charges
RSG Firm Transportation Service	GSG Monthly BGSS Rate
GSG Firm Transportation Service	GSG Monthly BGSS Rate
GSG-LV Firm Transportation Service	GSG Monthly BGSS Rate
EGS Firm Transportation Service	GSG Monthly BGSS Rate
NVG Firm Transportation Service	GSG Monthly BGSS Rate

Such customers will be charged on a prorated basis upon the appropriate Rate Schedule, including all Special Provisions of the appropriate Rate Schedule for gas delivered, including gas deliveries resulting in imbalances, prior to the implementation of the revised billing rate.

In order to be reinstated as an eligible Aggregator/Marketer, following termination of Aggregator/Marketer status for Deficiency Imbalances or Excess Imbalances as set forth above, the Aggregator/Marketer in addition to meeting all other applicable requirements must post and maintain for one (1) year security in a credit facility satisfactory to the Company in an amount equal to two (2) times that which would otherwise be required by the Company. At the conclusion of that year and assuming no additional occurrence of Deficiency Imbalances or Excess Imbalances as described above, the Aggregator/Marketer will be released from its obligation to provide security in excess of that otherwise required by the Company. If an additional Deficiency Imbalance or Excess Imbalance as described above occurs during that one-year period, the Aggregator/Marketer will be disqualified as an Aggregator/Marketer upon the Company's system for an additional one (1) year period. As used in this Paragraph (14), ADCQ shall mean the aggregate of all Daily Contract Quantities, expressed in dekatherms, of all customers served by an Aggregator/Marketer under the applicable Rate Schedule.

(15) Any charges imposed pursuant to the above Paragraphs (1) through (14) of this Rider "J" shall be in addition to other charges imposed pursuant to this Rider "J".

RIDER "K"

CLEAN ENERGY PROGRAM CLAUSE (CLEP)

APPLICABLE TO:

Rider "E" - Societal Benefits Clause

In its annual Societal Benefits Clause Petition, the Company will include data necessary to compute its CLEP factor for the upcoming CLEP Year. The Company's CLEP Plan Year will be the 12 month period ended October 31 of each year.

The CLEP factor set forth in this Rider "K" is calculated annually based upon the projected CLEP costs and an amount that accounts for revenue erosion divided by the projected therm sales. Any difference between the preceding year's costs and recoveries will be added to or deducted from the succeeding year's computation.

The charge brought forward to Rider "E" is as follows:

	RSG, GSG, GSG-LV, CTS Firm, EGS, EGS-LV, FES, LVS, ITS and NGV
Average Cost per Therm	$.011879
Applicable Revenue Tax Factor	1.0022
CLEP per Therm	$.011905
Applicable NJ Sales Tax Factor	1.06875
CLEP per Therm with NJ Sales Tax	$.012723

RIDER "K"

CLEAN ENERGY PROGRAM CLAUSE (CLEP)
(Continued)

The formula for calculating the CLEP rate is as follows:

$$\frac{CB + RE + [+RB]}{AS}$$

where:

CB = Approved CLEP costs.

RE = Cumulative annual revenue erosion from the date of effectiveness of the plan until the time that new base rates take effect. Annual erosion is determined by multiplying the projected measured annual decrease in firm sales attributable to implementation of the CLEP by the net margin revenue associated with that decrease in each affected service classification.

RB = Prior year recovery balance.

AS = Projected annual sales for all firm customers except YLS/SLS.

RIDER "L"

SUT CLAUSE (“SUTC”)

APPLICABLE TO:

This Rider “L” is applicable to all Rate Schedules.

In accordance with P .L. 1997, c. 162 (the “Energy Tax Reform Act”), provision for the New Jersey Sales and Use Tax (“SUT”) has been included in all rates within the Rate Schedules of this tariff by multiplying the charges that would have applied before application of SUT by the factor 1.06875.

ENERGY TAX REFORM ACT EXEMPTIONS:

A. The Energy Tax Reform Act exempts the following customers from the SUT provision, and when billed to such customers, the charges otherwise applicable under this tariff shall be reduced by the provision for the SUT included therein:

1. Franchised providers of utility services (gas, electricity, water, waste water and telecommunications services provided by local exchange carriers) within the State of New Jersey.

2. Cogenerators in operation, or which have filed an application for an operating permit or a construction permit and a certificate of operation in order to comply with air quality standards under P.L 1954, c. 212 (C.26:2C-1 et seq.) with the New Jersey Department of Environmental Protection, on or before March 10, 1997.

3. Special contract customers for which a customer-specific tax classification was approved by a written Order of the New Jersey Board of Public Utilities prior to January 1, 1998.

4. Agencies or instrumentalities of the federal government.

5. International organizations of which the United States of America is a member.

BUSINESS RETENTION AND RELOCATION ASSISTANCE ACT EXEMPTIONS:

B. The Business Retention and Relocation Assistance Act (P .L. 2004, c. 65) and susbsequent amendment (P.L. 2005, c. 374) exempts the following customers from the SUT provision, and when billed to such customers, the charges otherwise applicable shall be reduced by the provision for the SUT included therein:

1. A qualified business that employs at least 250 people within an enterprise zone, at least 50% of whom are directly employed in a manufacturing process, for the exclusive use or consumption of such business within an enterprise zone, and

2. A group of two or more persons: (a) each of which is a qualified business that are all located within a single redevelopment area adopted pursuant to the “Local Redevelopment and Housing Law,” P.L.1992, c.79 (C.40A:12A-1 et seq.); (b) that collectively employ at least 250 people within an enterprise zone, at least 50% of whom are directly employed in a manufacturing process; (c) are each engaged in a vertically

integrated business, evidenced by the manufacture and distribution of a product or family of products that, when taken together, are primarily used, packaged and sold as a single product; and (d) collectively use the energy and utility service for the exclusive use or consumption of each of the persons that comprise a group within an enterprise zone.

3. A business facility located within a county that is designated for the 50% tax exemption under section 1 of P.L. 1993, c.373 (C.54:32B-8.45) provided that the business certifies that it employs at least 50 people at that facility, at least 50% of whom are directly employed in a manufacturing process, and provided that the energy and utility services are consumed exclusively at that facility.

A business that meets the requirements in B.1, B.2 or B.3 above shall not be provided the exemption described in this section until it has complied with such requirements for obtaining the exemption as may be provided pursuant to P.L. 1983, c.303 (C.52:27H-60 et seq.) and P.L.1966, c.30 (C.54:32B-1 et seq.) and the Company has received a sales tax exemption letter issued by the New Jersey Department of Treasury, Division of Taxation.

RIDER "M"

CONSERVATION INCENTIVE PROGRAM ("CIP")

APPLICABLE TO:

Rate Schedule RSG	-	Residential Service
Rate Schedule GSG	-	General Service
Rate Schedule GSG-LV	-	General Service – Large Volume

(a) This Rider "M" shall be known as the Conservation Incentive Program ("CIP"). It shall be utilized to adjust the Company's revenues in cases wherein Actual Usage per Customer experienced during an Annual Period varies from the Baseline Usage per Customer ("BUC"). This adjustment will be effectuated through a credit or surcharge applied to customers' bills during the Adjustment Period. The credit or surcharge will also be adjusted to reflect prior year under recoveries or over recoveries pursuant to this CIP.

(b) The BUC in therms for each Customer Class Group by month is as follows:

Month	Group I: RSG Non-Heating	Group II: RSG Heating	Group III: GSG	Group IV: GSG-LV
Oct.	13.6	34.1	218.6	10,817.7
Nov.	13.7	76.8	445.8	17,479.9
Dec.	20.7	126.4	613.3	25,743.1
Jan.	23.5	157.0	645.9	29,051.9
Feb.	23.3	135.3	622.2	24,583.0
Mar.	27.7	104.3	512.4	21,049.1
Apr.	19.7	51.9	261.6	14,872.7
May	14.0	29.6	160.2	10,250.2
Jun.	11.4.	15.6	118.4	7,627.9
Jul.	11.5	14.7	104.0	6,817.7
Aug.	11.2	13.3	130.5	5,906.0
Sep.	10.0	16.8	122.4	5,283.1
Total Annual	200.3	775.8	3955.3	179,482.3

The BUC shall be reset each time new base rates are placed into effect as the result of a base rate case proceeding.

(c) At the end of the Annual Period, a calculation shall be made that determines for each Customer Class Group the deficiency ("Deficiency") or excess ("Excess") to be surcharged or credited to customers pursuant to the CIP

CONSERVATION INCENTIVE PROGRAM
(Continued)

mechanism. The Deficiency or Excess shall be calculated each month by multiplying the result obtained from subtracting the Baseline Usage per Customer from the Actual Usage per Customer by the actual number of customers, and then multiplying the resulting therms by the Margin Revenue Factor.

(d) Recovery of any Deficiency in accordance with Paragraph (c), above, associated with non-weather related changes in customer usage will be limited to the level of BGSS savings achieved as provided for in the 2006 Order of the Board of Public Utilities in Docket No. GR05121019. The value of the weather-related changes in customer usage shall be calculated in accordance with Rider F to this tariff.

(e) Except as limited by Paragraph (d), above, the amount to be surcharged or credited to the Customer Class Group shall equal the aggregate Deficiency or Excess for all months during the Annual Period determined in accordance with the provisions herein, divided by the FAU for the Customer Class Group.

(f) The currently effective CIP Factor by Customer Class Group are as follows:

	Group I: RSG Non-Heating	**Group II: RSG Heating**	**Group III: GSG**	**Group IV: GSG-LV**
CIP Factors Per Therm	$0.024831	$0.068086	$0.054396	$0.016484
Applicable Revenue Tax Factor	1.0022	1.0022	1.0022	1.0022
CIP Factors Per Therm	$0.024886	$0.068236	$0.054516	$0.016520
Applicable NJ Sales Tax Factor	1.06875	1.06875	1.06875	1.06875
CIP Factors Per Therm with NJ Sales Tax	**$0.026597**	**$0.072927**	**$0.058264**	**$0.017656**

(g) The CIP shall not operate to cause the Company to earn in excess of its allowed rate of return on common equity of 9.75% for any twelve month period ending September 30; any revenue which is not recovered will not be deferred. For purposes of this paragraph (f), the Company's rate of return on common equity shall be calculated by dividing the Company's net income for such annual period by the Company's average 13 month common equity balance for such annual period, all data as reflected in the Company's monthly reports to the Board of Public Utilities. The Company's net income shall be calculated by subtracting from total net income the Company’s share of margins from: (1) Interruptible Sales; (2) Interruptible Transportation; (3) On-System Capacity Release; (4) Off-System Sales and Capacity Release; (5) the Storage Incentive Mechanism, (6) the Energy Efficiency Tracker, (7) the Accelerated Infrastructure Replacement Program and (8) the Storm Hardening and Reliability Program..

(h) As used in this Rider “M”, the following terms shall have the meanings ascribed to them herein:

CONSERVATION INCENTIVE PROGRAM (CIP)
(Continued)

(i) **Actual Number of Customers – t**he Actual Number of Customers ("ANC") shall be determined on a monthly basis for each of the Customer Class Groups to which the CIP Clause applies. The ANC shall equal the aggregate actual booked number of customers for the month as recorded on the Company's books, plus any Incremental Large Customer Count Adjustment for the Customer Class Group.

(ii) **Actual Usage per Customer –** the Actual Usage per Customer ("AUC") shall be determined in therms on a monthly basis for each of the Customer Class Groups to which the CIP applies. The AUC shall equal the aggregate actual booked sales for the month as recorded on the Company's books divided by the Actual Number of Customers for the corresponding month.

(iii) **Adjustment Period – shall** be the calendar year beginning immediately following the conclusion of the Annual Period.

(iv) **Annual Period –** shall be the twelve consecutive months from October 1 of one calendar year through September 30 of the following calendar year.

(v) **Baseline Usage per Customer –** the Baseline Usage per Customer ("BUC") shall be the average normalized consumption per customer by month derived from the Company's most recent base rate case, and stated in therms on a monthly basis for each Customer Class Group to which the CIP applies. The BUC shall be rounded to the nearest one tenth of one therm.

(vi) **Customer Class Group –** For purposes of determining and applying the CIP, customers shall be aggregated into four separate recovery class groups. The Customer Class Groups shall be as follows:

Group I:	RSG (non-heating customers only)
Group II:	RSG (heating customers only)
Group III:	GSG customers
Group IV:	GSG-LV customers

(vii) **Forecast Annual Usage** – the Forecast Annual Usage ("FAU") shall be the projected total annual throughput for all customers within the applicable Customer Class Group. The FAU shall be estimated based on normal weather.

(viii) **Incremental Large Customer Count Adjustment** – the Company shall maintain a list of incremental commercial and industrial customers added to its system on or after October 1, 2005 whose connected load is greater than that typical for the Company's average commercial and industrial customer in the GSG or GSG-LV rate schedules. For purposes of the CIP, large incremental customers shall be those GSG customers whose connected load exceeds 1,200 cubic feet per hour ("CFH") and those GSG-LV customers whose connected load exceeds 50,000 CFH. A new customer at an existing location previously connected to the Company's facilities shall not be considered an incremental customer. The Actual Number of Customers for the Customer Class Group shall be adjusted to reflect the impact of all such incremental commercial or industrial customers. Specifically, the Incremental Large Customer Count Adjustment for the GSG customer class for the applicable month shall equal the aggregate connected load for all new active customers that exceed the 1,200 CFH threshold divided by 600 CFH,

CONSERVATION INCENTIVE PROGRAM (CIP)
(Continued)

rounded to the nearest whole number. Similarly, the Incremental Large Customer Count Adjustment for the GSG-LV customer class for the applicable month shall equal the aggregate connected load for all new active customers that exceed the 50,000 CFH threshold divided by 25,000 CFH, rounded to the nearest whole number.

(ix) **Margin Revenue Factor** – the Margin Revenue Factor ("MRF") shall be the base rate, as reflected in Appendix A to this Tariff, applicable to the Customer Class Groups to which the CIP applies, net of any applicable Riders, including taxes. The MRFs by Customer Class Group are as follows:

Group I (RSG non-heating):	$0.547317 per therm
Group II (RSG heating):	$0.547317 per therm
Group III (GSG):	$0.435411 per therm
Group IV (GSG-LV):	$0.238429 per therm

(i) The annual filing for the adjustment to the CIP rate shall be concurrent with the annual filing for BGSS. The CIP factor shall be credited/collected on a per therm basis within the Delivery Charge for all service classifications stated above. The level of BGSS savings referenced in Special Provision (d) to this Rider "M" shall be identified in the annual CIP filing, and serve as an offset to the non-weather related portion of the CIP charge provided in Special Provision (g) to this Rider "M". The Periodic and Monthly BGSS rates identified in Rider "A" to this tariff shall include the BGSS savings, as applicable.

RIDER "N"

ENERGY EFFICIENCY TRACKER ("EET")

APPLICABLE TO:

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

This Rider "N" shall be known as the Energy Efficiency Tracker ("EET"). For financial accounting purposes the Company shall record a return on and a return of investments in energy efficiency programs, as approved by the Board at Docket No. GO09010059, in an Order dated July 24, 2009, Docket No. GO12050363, in an Order dated June 21, 2003 and Docket No. GR15010090, in an Order dated August 19, 2015 and recover all incremental operating and maintenance expenses of the programs, subject to the EET. The calculation will use the weighted average cost of capital as identified in the respective Orders referenced above.

The EET rate will be calculated annually using projected data and subject to a true-up at the end of the EET year (September 30th) with simple interest on net over/under recoveries. Interest associated with over recoveries will be credited against the EET, while interest associated with under recoveries will be charged to the EET. The interest on monthly EET under and over recoveries shall be the interest rate based on the Company's weighted interest rate for the corresponding month obtained on its commercial paper and bank credit lines but shall not exceed the Company's weighted average cost of capital utilized to set rates in its most recent base rate case.

This EET will be effectuated through a volumetric rate applied to customers' bills. The Company shall make an annual EET rate filing in June of each year with a proposed implementation of the revised EET rate in October. Included in the filing will be a list of efficiency programs offered and eligible for recovery under the EET.

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

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

EET Rate per therm	$0.004268
Applicable Revenue Tax	$0.000009
Total EET Rate per therm	$0.004277
Applicable NJ Sales Tax	$0.000277
EET Rate per therm with NJ Sales Tax	$0.004571

GENERAL TERMS AND CONDITIONS - INDEX

GENERAL TERMS AND CONDITIONS - INDEX
(Continued)

GENERAL TERMS AND CONDITIONS

1. **GENERAL**

1.1 **FILING AND POSTING OF TARIFF:** A copy of this Tariff is filed with the Board and copies are posted and open to inspection at the offices of the Company. A copy of this Tariff is also available on the Company's website at www.southjerseygas.com.

1.2 **APPLICATION OF TARIFF:** These General Terms and Conditions govern all rate schedules to the extent applicable and are made part of all Standard Gas Service Agreements for the supply of gas service unless specifically modified by the terms of a particular rate schedule or by special terms written in and made a part of a Standard Gas Service Agreement. Failure by the Company to enforce any provisions, terms or conditions set forth in this Tariff shall not be deemed a waiver thereof. If any terms and conditions contained in this Tariff are in conflict with the New Jersey Administrative Code, the New Jersey Administrative Code shall prevail. The Tariff will not be construed to be in conflict with the New Jersey Administrative Code if the Tariff provides for a more liberal treatment of customers than that provided for in the New Jersey Administrative Code.

1.3 **STATEMENTS BY AGENTS:** No representative of the Company has the authority to modify any provisions contained in this Tariff or to bind the Company by any promise or representation contrary hereto.

No modification of the terms and provisions of any Standard Gas Service Agreement shall be effective except by execution of a new Standard Service Agreement.

1.4 **REVISION OF TARIFF:** The Tariff is subject to the lawful orders of the Board. The Company reserves the right at any time and in any manner permitted by law, and the applicable rules and regulations of the Board, to terminate, or to change or modify by revision, amendment, supplement, or otherwise, this Tariff or any part thereof, or any revision or amendment thereof or supplement thereto. All Standard Gas Service Agreements are accepted subject to the above reservations.

2. **OBTAINING SERVICE**

2.1 **APPLICATION FOR SERVICE:** Application for gas service may be made at any office of the Company in person, by telephone, or by mail. Applicant shall indicate conditions under which service will be required and Applicant may be required to sign a Standard Gas Service Agreement covering conditions under which service will be supplied.

2.2 **EXTENSION OF GAS SERVICE:**

2.2.1 **CHARGES**: In addition to the charges set forth in Rate Schedules and Riders included elsewhere in this Tariff, the Company may require additional monthly charges, up-front contributions, or deposits, pursuant to N.J.A.C. 14:3-8.1, *et seq.* These charges shall be increased for any tax consequences to the Company.

GENERAL TERMS AND CONDITIONS
(Continued)

2.2.2 **REFUNDS:** Deposits that are received from customers pursuant to Sections 4 – Extensions of Mains and Services and 5 – Service Connections of the General Terms and Conditions of this Tariff, shall be refunded without interest in accordance with the applicable formula contained in N.J.A.C. 14:3-8.10 and N.J.A.C. 14:3-8.11. In no event shall the Company refund more than the total deposit amount received from the Customer. Any deposit amount not refunded within ten (10) years from the date service was initiated, shall remain with the Company and shall constitute a contribution in aid of construction ("CIAC").

Deposits that are received from customers pursuant to Section 2 – Obtaining Service of the General Terms and Conditions of this Tariff, shall be refunded in accordance with N.J.A.C. 14:3-3.5.

2.3 **SELECTION OF RATE SCHEDULE:** Company will, upon request, assist the Applicant in selection of the applicable rate. The Company shall determine which rate schedule or rate schedules are available to an Applicant. The Company shall make such determination based upon information supplied by the Applicant or by inspection, at the Company's election. Where more than one rate schedule is available to a particular Applicant , the Company shall have at all times the duty to assist such Applicant in a selection of the rate schedule most favorable for his individual requirements and to make every reasonable effort to insure that such Applicant is served under the most advantageous schedule.

2.3.1 **CHANGE OF RATE SCHEDULE:** Subsequent to initial selection of a rate schedule, customer shall notify Company in writing of any change in the character or use of service which might affect the selection of a rate schedule or provision within a rate schedule. If the change in character or use warrants a change in schedule or provision, said change may commence with the next month's bill.

2.4 **DEPOSIT AND GUARANTEE:** A reasonable deposit or other guarantee satisfactory to the Company may be required from any new or existing customer who has not established credit with the Company or where the credit of such customer has become impaired. For the purposes of requesting a deposit or other guarantee: (1) the credit of a customer is considered impaired if any bills rendered were not paid before the preparation of the customer's immediately succeeding month's bill; and (2) the credit of a customer is considered established if all bills rendered for the last twelve monthly billing periods were paid before the preparation of the customer's immediately succeeding months' bills or as to a New Customer, who provides the Company with a letter of reference from another utility or source acceptable to the Company.

The initial deposit required will be of an amount equal to two times the average monthly charge for the service for a 12-month service period. Such deposit is required as security for the payment of future and final bills and may be required to be paid before the Company will commence or continue to render service. All deposits shall bear such interest as is allowed by the Board, payable at the time that the deposit is refunded or applied to the customer's account

If a customer's service has been terminated for non-payment of bills, the Company may not condition restoration of service on payment of a deposit. Instead, the Company shall bill the customer for the deposit, and shall allow the customer at least 15 days after the billing for payment of the deposit, or shall make other reasonable payment arrangements with the customer.

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Retention by the Company, prior to final settlement of said deposit, is not a payment or part payment of any bill for service. The Company shall review an RSG customer's account at least once every year and a non-residential customer's account at least once every two years and if such review indicates that the customer has established credit satisfactory to the Company, then the outstanding deposit shall be refunded to the customer. The Company shall afford the customer the option of having the deposit refund applied to the customer's account in the form of a credit or of having the deposit refunded by separate check in a period not to exceed one billing cycle. Notwithstanding a residential customer's credit status, the Company shall credit all accrued interest at least once during each 12 month period, pursuant to N.J.A.C. 14:3-3.5.

The Company also reserves the right to apply a deposit against unpaid bills for service. If such action is taken, the customer will be required to restore the deposit to its original amount. On discontinuance of service, the Company reserves the right to apply said deposit against unpaid bills for service and only the remaining balance of the deposit will be refunded. The Company shall have a reasonable time in which to read the meter and to ascertain that the obligations of the customer have been fully performed before being required to return any deposit.

Deposits may be waived where the circumstances warrant such waiver.

2.5 **LIQUIDATION OF PRIOR DEBTS:** Service will not be supplied by the Company to former customers until such time as any and all indebtedness to the Company for previous service has been paid or otherwise discharged, or until such time as a reasonable deferred payment arrangement acceptable to the Company is established to liquidate such debt.

2.6 **MAIN EXTENSIONS AND SERVICE CONNECTIONS:** An Applicant may be required to make a payment (deposit or contribution in aid of construction) toward the cost of extending gas service to its facility as set forth in Sections 4 and 5 of these General Terms and Conditions.

2.7 **PERMITS AND CERTIFICATES:** The Company, where necessary, will make application for any permits necessary to extend its main and install service connections and shall not be required to furnish service until after such permits are granted. The Applicant may be required to pay the charge, if any, for said permits. The Company may require the Applicant to obtain on the Company's behalf, all necessary instruments providing for easements or rights of way and may require the Applicant to properly record or register such documents with the appropriate authorities. Also, the Company may require the Applicant to obtain permits, consents, and certificates necessary for the introduction of service.

When the Applicant is not the owner of the premises or of intervening property between the premises and the Company's mains, the Applicant may be required to obtain from the proper owner, or owners, the necessary consent to the installation and maintenance in such premises and in or about such intervening property of all necessary equipment for supplying gas.

GENERAL TERMS AND CONDITIONS
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2.8 **INTERRUPTIBLE SALES AND TRANSPORTATION SERVICE**: The Company may require a customer who has transferred from a Firm Sales Service or Firm Transportation Service rate schedule to an Interruptible Transportation Service or Interruptible Sales Service Rate Schedule to make a deposit up to the cost of the facilities which the Company installed to provide service under the Firm Rate Schedule. The Company will refund one-half of all revenues received from the customer under the Interruptible Sales Service or Interruptible Transportation Service, less applicable taxes and Applicable Riders, for a period up to eight years. In no event shall more than the original deposit be returned to the customer nor shall any part of the deposit remaining after eight years from the date of the original deposit be returned. The making of a payment shall not give the customer any interest in the facilities, the ownership being vested exclusively in the Company.

3. **CHARACTERISTICS OF SERVICE**

3.1 **CONTINUITY OF SERVICE:** The Company will use reasonable diligence to provide a regular and uninterrupted supply of service, but should the supply be suspended, curtailed or discontinued by the Company for any of the reasons set forth in Section 9 of these General Terms and Conditions, or should the supply of service be interrupted, curtailed, deficient, defective or fail by reason of force majeure or otherwise, the Company shall not be liable for any loss or damage, direct or consequential, resulting from any such suspension, discontinuance, defect, interruption, curtailment, deficiency or failure.

3.2 **EMERGENCIES:** The Company may curtail or interrupt service to any customer or customers, irrespective of rate schedule under which said service is received, in the event of an emergency threatening the integrity of its system if, in its sole judgment, such action will prevent or ameliorate the emergency condition.

3.3 **LIMITATIONS:** The Company reserves the right to place limitations on the amount and character of gas service it will supply; to refuse service to New Customers or to existing customers for additional load if unable to obtain sufficient supply for such service; to reject applications for service or additional service where such service is not available or where such service might affect the supply of gas to other customers or for other good and sufficient reasons.

The Company reserves the right to curtail or discontinue the supply of gas service to the customer in the event of force majeure.

3.4 **NO STANDBY:** Service shall not be provided for standby uses under any rate schedule.

4. **EXTENSIONS OF MAINS AND SERVICES.**

4.1 **INCORPORATION OF N.J.A.C. 14:3-8.1, *et seq.***: Except where otherwise noted in this Tariff, the provisions and definitions within N.J.A.C. 14:3-8.1, *et seq*, shall be applicable.

4.2 **GENERAL:** The construction of main extensions will be subject to the regulations at N.J.A.C. 14:3-8.1, *et seq.* The Company may construct and will own, and maintain distribution mains located on streets, highways, and right of way, used or usable as a part of its distribution system. The making of a deposit or contribution by the customer, shall not give the customer any interest in the facilities, the ownership being vested exclusively in the Company.

GENERAL TERMS AND CONDITIONS
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4.3 EXTENSIONS REQUESTED BY INDIVIDUAL CUSTOMERS

4.3.1. **RESIDENTIAL:** The Company will extend its gas mains and services to serve an individual residential customer at no charge where the Extension Cost does not exceed ten (10) times the annual Distribution Revenue at the BUC for the customer's respective Conservation Incentive Program (CIP) Customer Class Group as set forth in Rider "M" to this tariff. The Company may require a deposit equal to the Extension Costs in excess of ten (10) times the annual Distribution Revenue at the BUC for the customer's respective Customer Class Group and shall include any tax consequences to the Company.

4.3.2 **NON-RESIDENTIAL:** The Company will extend its gas mains and services to an individual firm commercial or industrial customer and may require a deposit equal to the Extension Costs, increased by any tax consequences to the Company. In lieu of a deposit for Extension Costs, the Company and the Customer may agree upon a satisfactory revenue guarantee.

4.4. EXTENSION OF SERVICE TO MULTI-UNIT RESIDENTIAL AND NON-RESIDENTIAL DEVELOPMENT

4.4.1. ALL MULTI-UNIT CUSTOMERS: The Company may require a deposit for an Extension subject to this Section, in an amount no greater than the Extension Cost required to serve the development. The deposit shall be increased by any tax consequences to the Company.

5. SERVICE CONNECTIONS

5.1 **GENERAL:** If the Company accepts an application for an Extension, the Company may furnish and place, at no cost to the Applicant, up to 200 feet of Normal Residential Service Connection, measured at right angles from the nearest curb line to the Applicant's building, at the point of service entrance designated by the Company. Meters and regulators will be furnished and installed by the Company. The costs of meters and regulators (including the installation) may be waived by the Company.

The Applicant shall consult the Company as to the exact point at which the service pipe will enter the building before installing interior gas piping or starting any other work dependent upon the location of the service pipe. The Company will determine the location of the service pipe depending upon physical constraints in the street and other practical considerations.

Gas service will be supplied to a Applicant 's premises through a single service pipe except where, in the judgment of the Company, its economic considerations; conditions on its distribution system; improvement of service conditions; or volume of the customer's requirements, make it desirable to the Company to install more than one service pipe.

5.2 **CHANGE IN EXISTING INSTALLATIONS:** Change in the location of existing service pipe and/or metering facilities requested by the customer or Applicant must be approved by the Company and shall be made at the expense of the customer or Applicant.

GENERAL TERMS AND CONDITIONS
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6. METERING AND MEASURING EQUIPMENT

6.1 **GENERAL:** Company may, at its discretion, install and maintain a single meter or measuring device for service upon each rate schedule under which the customer receives service. Whenever possible, the meter shall be located outside. If the meter cannot be located outside, the meter maybe be set so it can be read from outside the building, by a remote meter reading device.

When requested by a customer, remote meter reading equipment which transmits the reading on a meter to a repeating register located on the outside of a building, shall be installed, if feasible. However, the Company must be permitted access to the interior meter at all reasonable times. The cost of installation may be borne by the customer. The payment shall not give the customer any interest in the installed equipment, the ownership being vested exclusively in the Company.

If permitted under the applicable rate schedule, the Company may install an electronic data collection system for use in conjunction with the metering of service, and may assess the customer for the cost of said data collection system and the installation thereof. If the Company so elects, the customer shall arrange for or provide, at no cost to the Company, adequate electrical service for the data collection system, a location for the data collection system acceptable to the Company, and a dedicated means of telemetry (telephone, cellular, etc.) for use in connection with the data collection system. The customer shall be responsible for monthly telemetric data charges (telephone, cellular, etc.) for use in connection with the data collection system when electronic data collection is required by the Company.

The Company's equipment shall be replaced whenever deemed necessary and may be removed by the Company at any reasonable time after the discontinuance of service.

The Company will select the type and make of metering equipment and may, from time to time, change or alter such equipment; its sole obligation is to supply meters that will accurately and adequately furnish records for billing purposes.

6.2 **CUSTOMER'S RESPONSIBILITY:** Customer shall furnish and maintain a suitable space for the meter and associated equipment. Such space shall be as near as practicable to the point of service entrance and which shall be adequately ventilated, dry and free of corrosive vapors, not subject to extreme temperatures and shall be readily accessible to employees of the Company. Customer shall not tamper with or remove meters or other equipment, nor permit access thereto except by the Company’s authorized employees. In case of loss or damage to the Company's property from the act or negligence of the customer or his agents or servants, or of failure to return equipment supplied by the Company, customer shall pay to the Company the amount of such loss or damage to the property.

A charge may be made for excessive maintenance caused by vandalism and/or repeated damages.

6.3 **ACCESS TO CUSTOMER'S PREMISES:** The Company, or duly authorized government employees, shall have the right of reasonable access to customer's premises, and to all property furnished by the Company, at all reasonable times for the purpose of inspection of customer's premises incident to the rendering of service, reading meters or inspecting, testing, or repairing its facilities used in connection with supplying the service, or for the removal of its property.

GENERAL TERMS AND CONDITONS
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6.4 **AUTHORIZATION TO TURN ON GAS:** Only duly authorized employees or agents of the Company shall be permitted to turn on gas into any new system, or into any old system, of piping from which the use of gas service has been discontinued. This pertains to both Company facilities, such as mains and services, and customer house lines.

6.5 **SUBMETERING:** Submetering is the practice in which a customer buys gas pursuant to the Company's rate schedules and resells it through some metering device at a profit. Submetering is specifically prohibited.

6.6 **CHECK METERING**

6.6.1 **GENERAL:** Check metering is the practice in which a customer, through the use of a gas check meter, monitors or evaluates his own consumption or the consumption of a tenant for accounting or conservation purposes.

Check meters are equipment for the measurement of volumes of gas consumption. Check meter may be utilized by a customer to resell gas. If the customer charges the tenant for the usage incurred by the tenant, reasonable administrative expenses may be included, which charges shall not exceed the amount the Company would have charged such tenant if the tenant had been served and billed by the Company directly.

Check metering, as defined above, is permitted in new or existing buildings or premises where the basic characteristic of use is industrial or commercial. Check metering is not permitted in new or existing buildings or premises where the basic characteristic of use is residential except for condominiums or cooperative housing, or where such buildings or premises are publicly financed or government owned or are eleemosynary in nature.

If a customer is permitted to utilize check metering, then all gas consuming devices within any dwelling unit at customer's location must be metered through a single check meter.

6.6.2 **INSTALLATION OF CHECK METERING EQUIPMENT:** The customer acting jointly with the Company may install, maintain and operate, at customer's expense, such check metering equipment as desired, provided that such equipment shall be so installed as not to interfere with the operations of Company's measuring equipment at or near the point of delivery.

6.6.3 **CUSTOMER'S RESPONSIBILITY:** Prior to installing any check metering equipment a customer is required to contact the Company, so that the Company may determine whether a proposed check metering installation may result in a pressure drop to the customer's premises. If the Company believes it necessary for such a determination, the Company may require the customer to submit detailed plans and specifications related to the proposed installation. If the Company believes that a significant pressure drop may occur, the Company will reject the proposed installation.

GENERAL TERMS AND CONDITONS
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6.6.4 **HOLD HARMLESS:** The ownership of all check metering devices is that of the customer, and customer shall be responsible for all incidents in connection with said ownership, including accuracy of the equipment, meter reading and billing, liability arising from the presence, installation and operation of the equipment and the maintenance and repair of the equipment. Any additional costs which may result from and are attributable to the presence, installation and operation of check metering shall be borne by the customer.

This hold harmless provision shall include, but not be limited to, claims for damages caused by an unsafe presence, installation or operation of said device by the customer, claims of improper invoicing by the customer, attorney's fees and related costs.

6.7 **RESERVED FOR FUTURE USE.**

6.8 **INSTALLATION OF MEASURING EQUIPMENT:** All installations of measuring equipment applying to or affecting deliveries hereunder shall be made in such manner as to permit an accurate determination of the quantity of gas delivered and ready verification of the accuracy of measurement. Care should be exercised by customer in the installation, maintenance, and operation of pressure regulating equipment so as to prevent any inaccuracy in the determination of the volume of gas delivered hereunder.

6.9 **ADJUSTMENT AND MAINTENANCE OF MEASURING EQUIPMENT:** Each party shall have the right to be present at the time of installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with measuring equipment involved in billing and used in measuring or checking the measurement of deliveries hereunder. The records from such measuring equipment shall remain the property of their owner, but upon request, each will submit to the other its records and charts, together with calculations therefrom for inspection and verification, subject to return within ten (10) days after the receipt thereof.

6.10 **TEST OF METERING AND MEASURING EQUIPMENT:** The accuracy of Company's meters and measuring equipment shall be verified by Company at reasonable intervals, and, if requested, in the presence of representatives of customer. In the event that the customer requests a special test of any equipment, the parties shall cooperate to secure a prompt verification of the accuracy of such equipment. The expense of such special tests shall be borne by customer if the request for such tests is made more frequently than once every 12 months.

6.11 **TEST AND ADJUSTMENT OF METERING AND MEASURING EQUIPMENT:** If, upon testing, any metering or measuring equipment, including recording calorimeter, is found to be in error of not more than two percent (2%), previous recordings of such equipment shall be considered accurate in computing deliveries hereunder, but such equipment shall be adjusted to record correctly. If, upon test, any metering or measuring equipment shall be found to be inaccurate by an amount of two percent (2%) or more fast or slow, the equipment shall be adjusted to record correctly, and the volume of gas delivered hereunder may be corrected to zero error.

6.11.1 **BILLING ADJUSTMENT:** If, upon test, any metering or measuring equipment is found to be two percent (2%) or more fast, a billing adjustment will be made to the customer's account in the following manner: (1) If the date when the

GENERAL TERMS AND CONDITIONS
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meter had first become inaccurate can be definitely ascertained, then the adjustment shall be such percentage as the meter is found to be in error at the time of test adjustment to 100 percent on the amount of the bills covering the entire period that the meter registered inaccurately. (2) In all other cases the adjustment shall be such percentage as the meter is found to be in error at the time of test on one-half of the total amount of the billing affected by the fast meter adjusted to 100 percent since the previous test, but not to exceed a period of 6 years for meters subject to testing by an approved scientific sampling technique. (3) No adjustment shall be made for a meter that is found to be registering less than 100 percent except in the case of meter tampering, nonregistering meters or in circumstances in which the customer should reasonably have known that his bill did not reflect customer usage.

6.12 **TAMPERING:** In the event it is established that the Company's services, meters, regulators, or other equipment on the customer's premises have been tampered with, the responsible party shall be required to bear all of the costs incurred by the Company including, but not limited to, the following: (a) investigations, (b) inspections, (c) cost of criminal prosecution or civil litigation, (d) legal fees, and (e) installation of any protective equipment deemed necessary by the Company. The responsible party shall be the party who either tampered with or caused the tampering with a meter or other equipment or knowingly received the benefit of tampering caused by another.

Furthermore, when tampering with the Company's or customer's facilities results in incorrect measurement or the omission of measurement of the service supplied, the customer shall pay for such service, as the Company may estimate from available information, to have been used.

6.12.1 **DIVERSION OF SERVICE:** When tampering is identified as affecting a tenant-customer's consumption, as a result of service being used by a beneficiary other than the tenant-customer of record without his or her knowledge or cooperation, then the Board's regulation pursuant to N.J.A.C. 14:3-7.8 shall apply. A tenant-customer is considered to be the residential customer of record, who rents a dwelling unit in a multi-family building or owns a condominium. The beneficiary is considered to be the person, corporation or other entity financially benefiting from tampering resulting in a diversion of service.

6.13 **SEALS AND LOCKS:** The Company shall seal and may lock all meters or enclosures containing meters and associated metering equipment. No person except a duly authorized employee of the Company shall break or remove a Company seal or lock.

6.14 **PRIORITY OF BILLING:** As between gas purchased or delivered on any firm rate schedule and gas purchased or transported on any interruptible rate schedule, the firm gas will be first through the meter. As between any gas transported on Rate Schedule ITS or delivered under Rider “D” of this Tariff, on the one hand, and, gas purchased under any rate schedule, on the other, the transported or delivered gas will be first through the meter.

GENERAL TERMS AND CONDITIONS
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7. **CUSTOMER'S INSTALLATION**

7.1 **GENERAL:** The customer is responsible for protecting and maintaining the Company's facilities on the customer's premises.

No material change in the size, total capacity, or method of operation of customer's equipment shall be made without previous written notice to the Company.

The Company gives no warranty, expressed or implied, as to the adequacy, safety, or other characteristics of any structure, equipment, wires, pipes, appliances or devices used by the customer.

7.2 **PIPING AND EQUIPMENT:** All gas equipment shall have the approval of the duly constituted authorities having jurisdiction. All gas piping and equipment shall be installed and maintained by the customer in conformance with the Company's rules and regulations available in booklet form on request, and in conformance with all lawful requirements of municipal or other properly constituted public authorities.

7.3 **ADEQUACY AND SAFETY OF CUSTOMER'S INSTALLATION:** The Company shall not be required to supply gas service until the customer's installation shall have been approved by the authorities having jurisdiction. The Company further reserves the right to withhold its service, or to discontinue its service, whenever such installation or part thereof is deemed by the Company to be unsafe, inadequate, or unsuitable for receiving service, or to interfere with or impair the continuity or quality of service to the customer or to others. In all cases, no final connection between the Company’s equipment and the Customer’s installation shall be made without final inspection from the Department of Community Affairs or its designee.

Customer’s appliances, piping and installation shall be made and maintained in accordance with the specifications set forth in the Fuel Gas Subcode of the Uniform Construction Code and such other regulations as may be determined from time to time by any governmental agency having jurisdiction over customer’s installation.

7.4 **BACK PRESSURE AND SUCTION:** When the nature of the customer's gas equipment is such that it may cause back pressure or suction in the piping system, meters, or other associated equipment of the Company, suitable protective devices, subject to approval by the Company, shall be furnished, installed, and maintained by the customer.

7.5 **MAINTENANCE OF CUSTOMER'S INSTALLATION:** Customer's entire installation shall be maintained by the customer in the condition required by the municipal or other public authorities having jurisdiction and by the Company.

7.6 **COMPANY INSPECTION:** The Company reserves the right to inspect the customer's premises from time to time to ensure compliance with the General Terms and Conditions and the applicable rate schedule of this Tariff.

7.7 **LEAKAGE:** Customer shall immediately give notice to the Company at its office of any escape of gas in or about the customer's premises.

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7.8 **CUSTOMER RELEASE OR INDEMNITY:** Customer releases and shall indemnify and save harmless the Company from all loss, cost, expense, or liability for personal injuries or loss of life, or for damages, direct or consequential, which may arise out of, or result from, the use of gas service on customer's premises, or from the presence upon such premises, of any of the equipment of the Company, except for general or direct damages that follow from the Company's negligence, recklessness, or willful misconduct.

8. METER READING AND BILLING

8.1 **EVIDENCE OF CONSUMPTION:** The quantity of gas measured by the Company's meter shall be final and conclusive for billing purposes, unless adjustment thereof is appropriate pursuant to these General Terms and Conditions and N.J.A.C 14:3-4.5.

8.2 **DETERMINATION OF GAS VOLUMES DELIVERED:** The volume of gas delivered in the billing period is the consumption recorded on standard metering devices.

Where applicable, these volumes will be converted for any or all of the following conditions:

(1) The temperature of the gas passing the meters described herein shall be determined by means of a continuously indicating meter of standard manufacture so installed that it may properly indicate the temperature of gas flowing through the meter or meters. The arithmetic average of the twenty-four (24) hour record, or of so much of the twenty-four (24) hours as gas has been passing if gas had not been passing during the entire period, from the indicating thermometer, shall be deemed to be the gas temperature for the day and shall be used in computing gas volume.

(2) The specific gravity of gas shall be determined for any one day by the use of the continuous recording gravitometer used by Company's Supplier to determine the specific gravity of gas delivered to Company. The arithmetic average of the specific gravity recorded each day shall be used in computing the volumes of gas delivered. During such time or times as the said gravitometer shall not be in service, the specific gravity of the gas delivered shall be determined by the use of an approved specific gravity balance with such reasonable frequency as is found expedient in practice, but not less frequently than once each month.

(3) The unit of volume for the purpose of measurement as referred to herein shall be one (1) cubic foot of gas at a temperature of 60 degrees Fahrenheit and at an absolute atmospheric pressure of fourteen and seventy-three hundredths (14.73) pounds per square inch. The average absolute atmospheric pressure shall be assumed to be fourteen and seventy-three hundredths (14.73) pounds per square inch, irrespective of actual elevation of location of the point of delivery above sea level of variations in such atmospheric pressure from time to time.

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(4) The deviation of the natural gas from Boyle's Law as described hereunder, shall be determined by periodic tests. The apparatus and the method to be used in making such tests shall be in accordance with the recommendations of the National Bureau of Standards of the Department of Commerce, or of the U.S. Bureau of Mines of the Department of the Interior, or any other method or methods mutually agreed upon. The results of such tests shall be used in computing the volume of gas delivered hereunder.

8.3 **DETERMINATION OF BILLING UNIT:** The billing unit of the gas deliverable hereunder shall be therms, and the number of therms delivered shall be determined by multiplying the number of cubic feet of gas delivered by the therm factor.

8.4 **DETERMINATION OF THERM FACTOR:** The average total therm factor of the gas per cubic foot referred to herein shall be determined by means of Company's recording calorimeter and corrected for a water vapor free basis. The arithmetic average of the twenty-four (24) hour period, or so much of the twenty-four (24) hours as gas has been passing if gas has not been passed during the entire period, from the recording calorimeter, shall be deemed to be the total therm factor of the gas for that day.

The billing month's therm factor is the month's average of daily therm factors, computed at the end of the preceding billing month.

8.5 **TURN ON READING:** Any customer initiating the use of gas in violation of these General Terms and Conditions without making application for service and enabling the Company to read the meter, will be held liable for service supplied to the premises from the last meter reading immediately preceding customer's occupancy, as shown by the records of the Company.

8.6 **FINAL READING:** A customer requesting to discontinue service must give adequate notice as provided for in the applicable rate schedule in order to allow the Company to secure a final reading during normal business hours. Where such notice is not received by the Company, customer shall be liable for service until final reading of the meter is taken. Notice to discontinue service will not relieve a customer from any contractual obligations, including any minimum or guaranteed payment under any contract or rate schedule.

8.7 **METER READING:** Meters will be read on a monthly basis.

8.8 **COMBINED BILLING:** Where service through more than one meter to a single customer on a given rate is permitted by the Company, the use determined by the individual meters will be combined for billing purposes.

8.9 **ESTIMATED BILLS:** When the Company is unable to read the meter, Company may estimate the amount of gas supplied and submit an estimated bill, so marked. Adjustment of such estimated use to actual use will be made when an actual meter reading is obtained.

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8.10 **BILLING PERIOD:** Bills for service furnished will be normally rendered monthly and shall be due and payable within fifteen (15) days of the mailing date.

8.11 **PRORATION OF BILLS:** When the billing month is greater or less than thirty (30) days, customer bills will be computed by prorating the Applicable rates in all rate schedules and customer charges in Rate Schedules RSG, GSG, GSG-LV, and EGS on the basis of the relationship between the number of days covered by the billing period and thirty (30) days, except as provided for in a specific rate schedule.

8.12 **EQUAL PAYMENT PLAN:** The Company will provide to customers, on request, an equal payment plan in conformity with N.J.A.C. 14:3-7.5. Further, there shall be at least one comparison of actual bills, based on meter readings to the monthly budget amount, and if this comparison reveals an increase or decrease of 25 percent or more of the monthly budget amount, the monthly budget amount will be adjusted upwards or downwards, as the case may be, for the balance of the budget plan year.

The Company will give the customer a written notice of the revised budget figure at least 10 working days before the due date of the initial bill of the next budget plan year.

8.13 **BILLING ADJUSTMENTS:** Except as provided in Sections 6.11 and 6.12 of these General Terms and Conditions, when for any reason a meter fails to register the full use of gas, or fails to register within the limits of accuracy prescribed by the Board, customer's use of gas will be estimated by Company on the basis of available data and charges will be adjusted accordingly. The maximum time to pay for the charge will be equal to the length of time that the meter failed to register.

9. CAUSES FOR DISCONTINUANCE OF SERVICE

9.1 **BY THE COMPANY:** Company shall have the right to suspend or discontinue its service for any of the following reasons:

(1) To make repairs, changes, or improvements to any part of its system;

(2) For compliance in good faith with any governmental order or directive; whether Federal, State, municipal, or otherwise, notwithstanding such order or directive subsequently may be held to be invalid;

(3) Non-payment of any bill for service furnished at the present or a previous location, or place of business; However, non-payment for business service shall not be a reason for discontinuance of customer's residential service except in cases of diversion of service pursuant to N.J.A.C. 14:3-7.8;

(4) Tampering with any pipe, meter, or other facility of the Company;

(5) Fraudulent representation in relation to use of gas service;

(6) Failure of the customer to comply with any of these General Terms and Conditions;

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(7) Delivering gas service to others without the Company's approval, except as permitted under Section 6.6 CHECK METERING.

(8) Failure to make or increase an advance payment or deposit when requested by the Company, provided that the customer had advance notice of the request for said advance payment of deposit;

(9) Refusal to contract for service;

(10) If in the judgment of the Company, customer's installation has become dangerous or defective;

(11) If customer's equipment or use thereof injuriously affects the quality of Company's service to other customers;

(12) Unauthorized increases in the size or total capacity of customer's equipment;

(13) In the event Company is prevented access to its meter or other service facilities, or in the event access thereto is obstructed or hazardous, or for other violation of Company's rules and regulations;

(14) Refusal of a customer receiving interruptible service, to discontinue the use of gas after proper notification;

9.2 **NON-WAIVERS:** Should gas service be terminated for any of the above reasons, such termination shall not be deemed a waiver of any other remedy available to the Company. Failure of the Company to exercise its right to terminate, or any other right, shall not be deemed a waiver of such right.

9.3 **RESTORATION OF SERVICE:** The Company shall restore service upon a proper application by a customer when the conditions under which service was discontinued are corrected, and upon the payment of all proper charges due from the customer provided for in this Tariff, or if the Board so directs when a complaint involving such matter is pending before the Board.

10. **MISCELLANEOUS SERVICE CHARGES**

10.1 **TURN ON CHARGE:** A turn on charge of $20.00 may be made for each activation of service whether for initial service (by meter turn-on or meter reading in the case of a service transfer) or reactivation of service where Company personnel are required to travel to the service location.

10.2 **RETURNED BANK ITEM:** A charge of $19.00 may be made to reimburse the Company for the expense of processing items returned by the bank as uncollectible on customer's account.

10.3 **TRANSFER OF SERVICE CHARGE:** A charge of $7.00 may be made to transfer service between customers when the customer calls in a meter reading to the Company or exercises other

GENERAL TERMS AND CONDITIONS
(Continued)

alternatives offered to the customer by the Company to transfer service when no Company personnel are required to travel to the service location.

10.4 **FIELD COLLECTION FEE:** A charge of $12.00 may be made for each visit Company personnel make to a customer's location in an effort to collect overdue payments.

10.5 **APPLICATION FEE:** The Company may charge customers $15.00 to process applications for service which require the installation of a new Service Connection.

10.6 **TRANSPORTATION INITIATION FEE:** Except for customers receiving Firm Transportation Service under Rate Schedule RSG, and customers receiving Firm Transportation Service under Rate Schedule GSG, and consuming on average less than 3,000 Dts per year, the Company may charge customers $50.00 to initiate transportation of gas for the customer’s account under any Rate Schedule or Rider in this Tariff, or may charge $50.00 if a customer changes its Aggregator/Marketer.

10.7 **ADJUSTMENT AND REPAIR OF APPLIANCES:** Company will provide free service as follows:
Meter turn off
Appliance light up at time of meter turn on
Original adjustment on appliances
Normal pilot adjustment or cleaning (except during September and October)
Normal adjustment of gas burners (except during September and October)
Investigation for gas leaks and other safety related calls

Other services are provided at a charge.

11. **CONDITIONS UNDER WHICH RATE DISCOUNTS SHALL BE CONSIDERED**
The following General Terms and Conditions are applicable to all customers seeking a rate discount, including EGS-LV and FES customers.

11.1 **CUSTOMERS WITH THE ABILITY TO BYPASS**
Customers requesting a discounted rate due to the ability to bypass the Company’s facilities need to supply the following minimum requirements; (i) a statement from the interstate pipeline that the proposed interconnection is operationally viable, that sufficient capacity is available and the pipeline would serve the party if requested; (ii) maps or flow diagrams identifing the route of the pipeline from the interconnection with the pipeline and the customer’s site, the size of the connecting pipeline and any other appurtenant facilities required; (iii) engineering studies related to the estimated costs to complete construction; and (iv) status of all reliability and environmental permits from State and Federal agencies. Any individually negotiated rates agreed to pursuant to this tariff provision are subject to prior approval by the New Jersey Board of Public Utilities.

GENERAL TERMS AND CONDITIONS
(Continued)

11.2 **CUSTOMERS WITH CIRCUMSTANCES OTHER THAN THE ABILITY TO PHYSICALLY BYPASS**

Customers may request a discounted rate for reasons other than physical bypass of the Company's facilities. In this situation, the application for such discounted rates submitted to the Board of Public Utilities shall explain the reasons for the request and provide ample support for the request, including but not limited to whether the discounted rate is in the public interest, how the discounted rate would spur economic development, and/or how the discounted rate would benefit the Company's ratepayers. Any individually negotiated rates agreed to pursuant to this tariff provision are subject to prior approval by the New Jersey Board of Public Utilities.

12. **DEFINITIONS**

"AGGREGATOR/MARKETER" is used herein to mean a business entity transacting business as an Aggregator of gas or as a Marketer of gas.

"**AFFILIATE**" is used herein to mean an entity controlled by or under common control with the entity with which it is affiliated.

"ALTERNATE FUEL CAPABILITY" is used herein to mean situations where an alternate fuel is installed and can be utilized in customer's equipment: provided, however, where the use of natural gas is for plant protection, feedstock, or process uses and the only alternate fuel is propane or other gaseous fuel, then the customer will be treated as having no Alternate Fuel Capability.

"APPLICANT FOR AN EXTENSION" is used herein to mean a person or entity that has applied to the Company for construction of an Extension, hereinafter referred to as Applicant.

"BASE PERIOD BILLING" is used herein to mean the number of therms billed to a customer at the qualifying existing facility during the corresponding billing month of the twelve months immediately preceding the billing month to which the customer first applied for service.

"BASIC GAS SUPPLY SERVICE" is used herein to mean gas supply service that is provided to any customer that has not chosen an alternative gas supplier, whether or not the customer has received offers as to competitive supply options, including, but not limited to, any customer than can not obtain service from an alternative supplier for any reason, including non-payment for services. It is the gas supply component in certain Rate Schedules for Firm Sales Service customers.

"BILLING MONTH" is used herein to designate a period which begins with the first cycle in any month and ends with the last cycle.

"BOARD" is used herein to designate the New Jersey Board of Public Utilities, its predecessors or successors.

"BRITISH THERMAL UNIT" is used herein to designate the amount of heat required to raise the temperature of one (1) pound of water one (1) degree Fahrenheit at sixty (60) degrees Fahrenheit.

GENERAL TERMS AND CONDITIONS
(Continued)

"CITY GATE STATION" is used herein to mean a location at which Company receives gas from a pipeline company.

"COGENERATION" is used herein to mean the process by which natural gas is burned in equipment to generate electricity and recover the by-product heat from the generation process for use in industrial processes or space heating or both.

"COMMERCIAL CUSTOMER" is used herein to be a customer, whose facility at which service is received hereunder is engaged primarily in providing a service or the sale of goods or services. This would include, but not be limited to, wholesale or retail trade, local, state and federal government agencies, agriculture, warehouses, schools, forestry, transportation, communication, sanitary services, finance, insurance, clubs, hotels, and service to three or more dwelling units through a single meter. A customer who is neither Industrial nor Residential is a Commercial Customer.

"COMPANY" as referred to herein is used to designate South Jersey Gas Company which furnishes gas service under these General Terms and Conditions.

"COSTS APPLICABLE" is used herein to mean any and all costs per therm involved in acquiring the gas sold under an applicable rate schedule. Provided, however, that "Costs Applicable" shall not include demand charges paid by the Company for gas sold under said rate schedule. As used herein, "Costs Applicable" shall include but not be limited to, costs of acquisition of gas; costs of transportation of gas; costs of storage of gas; costs of compression; interstate pipeline loss and compressor fuel; line loss on the Company's system; and Taxes.

"CUSTOMER" is used herein to designate any person, firm, organization, partnership or corporation applying for or using gas service supplied by the Company at one specific location.

"CUSTOMER GROUP" is used herein to mean a group of customers served under a single rate schedule by a single Aggregator/Marketer.

"CYCLE" is used herein to designate a geographical grouping of customers each having the same meter reading and billing schedules.

"DAY" is used herein to designate a period of twenty-four (24) consecutive hours beginning at 10:00 a.m.

"DAILY PRICE SURVEY" is used herein to mean a column published in the publication "Platts Gas Daily", published by The McGraw Hill Companies. Should the "Transco, zone 6 non-N.Y." prices no longer be available in the "Daily price survey" for an reason, the Company may substitute a substantially equivalent index or calculation.

"DISTRIBUTION MAINS" is used herein to designate the network of distribution piping to which customer's service connections are made.

GENERAL TERMS AND CONDITIONS
(Continued)

"DISTRIBUTION REVENUE" is used herein to mean total revenue plus related Sales and Use Tax, collected by the Company from a customer, minus the Basic Gas Supply Service charges, plus related Sales and Use Tax on the Basic Gas Supply Service, assessed in accordance with the Company's tariff.

"DOMESTIC PURPOSES" is used herein to mean such uses of gas as are typical of a household. Such purposes include, but are not limited to cooking, water heating, clothes drying, house heating, and air conditioning.

"DWELLING UNIT" is used herein to mean apartments, flats or rooming or boarding house bedrooms.

"ELECTRONIC BULLETIN BOARD" or "EBB" shall mean the Company's electronic bulletin board, or successor electronic medium.

"EXISTING FACILITY" is used herein to mean a facility at which the Company is currently supplying or has previously supplied service under an applicable rate schedule at some time during the preceding twelve (12) months.

"EXTENSION" is used herein to mean the construction or installation of plant by the Company to convey a regulated service from existing or new plant to one or more new Customers, and also means the plant itself. This term includes all plant for transmission or distribution, whether located on a public street or right of way, or on a private property or private right of way, including the pipe used to convey regulated service from existing plant to each unit or structure to be served. An Extension begins at the existing infrastructure and ends at the meter and includes the meter.

"EXTENSION COST" is used herein to mean expenses incurred, calculated by using unitized costs for material and labor (internal and external) employed in the design, purchase, construction, and/or installation of the Extension, including overhead directly attributable to the work.

"FACILITY" is used herein to means all buildings and equipment located at the same geographic site which are commonly considered to be part of one plant, mill, refinery, or other industrial complex.

"FIRM" as used herein refers to a character of service offered to customers under applicable rate schedules or contracts which anticipate no interruption, except in the event of an emergency.

"FIRST GAS THROUGH THE METER" is used herein to establish a billing priority among rate schedules. When a customer purchases, transports, or secures delivery of gas on more than one rate schedule on a given day, the Company must, for billing purposes, apportion gas purchased to the rate schedules. In a case in which a particular rate schedule is deemed first through the meter, all of a customer's obligations under that rate schedule must be met, for billing purposes, before gas is billed pursuant to any other rate schedule.

"FORCE MAJEURE" as employed herein shall mean Acts of God, strikes, lockouts, or other labor disturbances, acts of the public enemy, acts in the public interest, wars, blockades, insurrection, riots, epidemics, landslides, lightning, earthquakes, fires hurricanes, storms floods, washouts, arrests, the order of any court or government authority having jurisdiction while the same is in effect, civil disturbances, explosions, breakage, accidents to machinery, or lines of pipe, freezing of wells or lines of pipe, temporary failure of gas supply, inability to obtain or unavoidable delay in obtaining necessary gas supplies or material and equipment, and any other cause whether of the kind herein enumerated or otherwise beyond the control of the party claiming suspension.

GENERAL TERMS AND CONDITIONS
(Continued)

"GAS ACQUISITION COSTS" is used herein to mean Costs Applicable less Taxes.

"INDIVIDUALLY METERED SERVICE" is used herein to mean service through a single meter for two or less dwelling units within a single building and appurtenant outbuildings.

"INDUSTRIAL CUSTOMER" is used herein to be a customer, whose facility at which service is received hereunder is engaged primarily in the processing or changing of raw or unfinished materials into another form or product. Sand and thermal energy plants are included within this term.

"INTERRUPTIBLE" as used herein refers to a character of service under applicable rate schedules or contracts which anticipate and permit interruption on three (3) hours, notice.

"INTERRUPTIBLE MARGIN" is used herein to mean net income from Rate Schedules ITS, LMS-LV, LMS-GS and IGS multiplied by a factor to reflect Revenue Taxes and Federal Income Taxes.

"INTERRUPTIBLE USES OF GAS" is used herein to mean uses which are subject to termination on notice by the Company as provided in the applicable rate schedule, and for which the customer has, or is capable of having, an alternate fuel capability.

"MAJOR GROUP" is used herein to mean the first two digits of the Federal North American Industry Classification System (NAICS) code, as defined for the Applicant at the time service is initiated.

"MCF" is used herein to designate one thousand (1,000) cubic feet of gas.

"MONTH" is used herein to designate the period between any two consecutive regularly scheduled meter readings for billing purposes.

"NEW FACILITY" is used herein to mean a newly constructed facility or a facility at which the Company is not currently supplying and has not supplied service under an applicable rate schedule during the preceding twelve (12) months.

"**NORMAL RESIDENTIAL SERVICE CONNECTION"** as used herein shall mean the least expensive, feasible service connection as determined by the Company.

"OPERATING CONDITIONS" is used herein to describe lack of sufficient gas supplies at the customer's location, lack of sufficient pressure at the customer's location, or similar operating conditions which will render the Company unable to offer service at a given level requested by the customer for a 12 month period.

"OUT-OF-POCKET EXPENSES" is used herein to mean any additional costs incurred by the Company relating to the initiation and rendering of service to a specific customer; such expense shall include, but not be limited to legal expense and travel expense.

"PRICE TO COMPARE" is used herein to mean for any Rate Schedule, the difference between the total charges to be paid by a Firm Sales Service customer under that Rate Schedule, and the total charges to be paid by a Firm Transportation Service customer under that same Rate Schedule.

GENERAL TERMS AND CONDITIONS
(Continued)

"PRIME MOVER" is used herein to mean the engine, turbine, water wheel, or similar machine that drives an electric generator; or a device that converts energy to electricity directly (e.g., photovoltaic solar and fuel cells).

"RESIDENCE" is used herein to mean a location at which Residential gas consumption occurs.

"RESIDENTIAL" is used herein to mean Individually metered Service for Domestic Purposes. Provided, however, that if a customer receives individually metered service for both domestic and non-domestic purposes said service shall be deemed Commercial or Industrial, as is appropriate, if fifty (50) percent or more of gas volume consumption during any month is for other than domestic purposes.

"REVENUE TAXES" is used herein to mean all taxes applicable to revenues from the sale of natural gas. Revenue Taxes shall include, but not be limited to, New Jersey Sales and Use Tax, New Jersey Corporation Business Tax and Public Utility Assessment Taxes.

"SALES SERVICE" as used herein refers to a character of service offered to customers under applicable rate schedules or contracts pursuant to which the Company offers to sell the natural gas commodity.

"SERVICE CONNECTIONS" is used herein to designate the pipe which carries gas from the distribution or transmission main to the customer's meter.

"STANDBY USES" is used herein to mean the provision of gas service for use in an appliance or device for which gas supplied by the Company is not the primary fuel.

"SUMMER SEASON" is used herein to designate the period from April 1 through October 31 of each year.

"TAXES" is used herein to mean all taxes applicable to the sale of natural gas. "Taxes" shall include, but not be limited to, Gross Receipts and Franchise Taxes; Federal Income Taxes; and Public Utility Assessment Taxes.

"THERM" is used herein to designate a unit of heating value equivalent to 100,000 Btu (British Thermal Units).

"TOTAL HEATING VALUE" is used herein to designate the number of British Thermal Units produced by the combustion in a recording calorimeter or chromograph, at constant pressure, of the amount of gas which would occupy a volume of one (1) cubic foot at a temperature of 60 degrees Fahrenheit if saturated with water vapor, and under an assumed absolute atmospheric pressure of 14.73 pounds per square inch with air of the same temperature and pressure as the gas when the products of combustion are cooled to the initial temperature of gas and air, and when the water formed by combustion is condensed to liquid state, corrected for a water vapor free basis.

"TRANSPORTATION SERVICE" as used herein refers to a character of service offered to customers under applicable rate schedules or contracts pursuant to which the Company offers to transport and deliver to a customer's facility or residence the natural gas commodity as to which the customer holds clear and marketable title.

"WINTER SEASON" is used herein to designate the period from November 1 through March 31 of each year.

"YEAR" is used herein to designate a period of twelve consecutive "months".

STANDARD GAS SERVICE AGREEMENT (GS)

This Agreement entered into this______________day of ___________________ , 20 , by and between South Jersey Gas Company, a New Jersey Corporation, hereinafter referred to as "Seller" or "Company" and ____ , hereinafter referred to as "Buyer."

WITNESSETH:

Subject to the terms and conditions contained herein, Seller agrees to sell and deliver and Buyer agrees to purchase and pay for services required by Buyer under Rate Schedule GSG Firm Sales Service☐, Rate Schedule GSG-LV Firm Sales Service ☐, Rate Schedule GSG Firm Transportation Service☐, Rate Schedule GSG-LV Firm Transportation Service ☐ ,Rate Schedule IGS ☐and Natural Gas Vehicle (NGV) ☐ at____, as follows:

ARTICLE I
Term of Agreement

This Agreement shall commence ____ and be effective from the date hereof and the sale and purchase of services hereunder shall continue until ___________ , a date which is at least twelve (12) months from the commencement, and subject to Seller's possession of an adequate supply of gas as to Rate Schedules GSG Firm Sales Service; GSG-LV Firm Sales Service; and IGS, and subject to Seller’s possession of adequate system capacity as to Rate Schedules GSG Firm Transportation Service and GSG-LV Firm Transportation Service, shall continue thereafter from year to year unless and until terminated upon written notice given by either party to the other, at least six (6) months prior to the end of any yearly term.

ARTICLE II
Duly Constituted Authorities

The rates of Seller, and the respective obligations of the parties under this Agreement, are subject to valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction. The rates, terms, and conditions of this Agreement are subject to change as may be lawfully required or permitted by the Board of Public Utilities of New Jersey, or successor agencies.

ARTICLE III
Tariff For Gas Service

All terms and conditions set forth in Seller's Tariff For Gas Service B.P.U.N.J. No. 11 - Gas are incorporated herein by reference. All sales are subject to the General Terms and Conditions of Seller's Tariff For Gas Service and more specifically by the conditions contained in the Rate Schedule or Rate Schedules contracted for herein.

STANDARD GAS SERVICE AGREEMENT (GS)
(Continued)

ARTICLE IV
Service Volumes

1. For service rendered under Rate Schedule GSG:
For the purpose of providing criteria for the proration of available supplies, Buyer hereby indicates its Minimum and Maximum Capability of accepting GSG Service:

 a. Minimum Capability_____________________Mcf per day.
 b. Maximum Capability _____________________ Mcf per day.

2. For service rendered under Rate Schedule IGS:
For the purpose of providing criteria for the proration of available supplies, Buyer hereby indicates its Minimum and Maximum Capability of accepting IGS Service:

 a. Minimum Capability_____________________Mcf per day.
 b. Maximum Capability_____________________Mcf per day.

Customer certifies that its alternate fuel capability is____.

3. For service rendered under Rate Schedule GSG-LV Firm Sales Service, Seller hereby agrees to sell and deliver to Buyer and Buyer agrees to pay for in accordance with the provisions of the Tariff a Contract Demand of ____ Mcf per day. This will serve as Buyer's initial Contract Demand. The Contract Demand may be adjusted by the Company from time to time, but no less than annually. The adjustments to the Contract Demand shall be based upon the Buyer's average daily usage for the month of highest usage during the preceding twelve month period, subject to normalization, if appropriate. The Buyer may then elect, in writing, a higher Contract Demand.

4. For service rendered under Rate Schedule GSG-LV Firm Transportation Service, the Company agrees to transport and deliver to the Buyer at the Buyer's facility designated on the first page of this Agreement such quantity of gas that Buyer makes available from time to time; provided, however, Company shall not be obligated to transport and deliver more than ____ Mcf per day which will be Buyer's Contract Demand.

5. It is understood by Buyer and Seller, that by electing to take delivery of gas under Rate Schedule GSG Firm Transportation Service or Rates Schedule GSG-LV Firm Transportation Service, Buyer forgoes any right or entitlement to purchase the Company's firm system gas, during the term of this Agreement. After the term of this Agreement, if Buyer requests that the Company sell firm system gas to the Buyer, the Buyer shall be treated as a new applicant for service, with no greater entitlement to firm gas sales service than is had by any other New Customer.

6. By checking the box at the end of this sentence, customer elects to take balancing service under Rider "I", rather than under Rider "J" . ☐

7. The customer's Daily Contract Quantity ("DCQ") will be established pursuant to the terms of Rider "J" to this Tariff. Under no circumstances shall the Company be obligated to deliver more than the customer's DCQ for the

STANDARD GAS SERVICE AGREEMENT (GS)
(Continued)

customer's account. Moreover, if the DCQ shall prove insufficient or excessive in any respect for the customer's needs, the Company shall not assume any responsibility or liability of any kind for such excess or insufficiency.

8. For service rendered under Rate Schedule GSG Firm Transportation Service or Rate Schedule GSG-LV Firm Transportation Service, by checking the box at the end of this sentence, Buyer hereby elects to take a Capacity Assignment of interstate pipeline capacity from the Company, pursuant to a Capacity Assignment Agreement in a quantity equal to Buyer's average daily consumption during a peak winter month, for Rate Schedule GSG Customers which is agreed to be _______________ Mcf per day ❐; or in a quantity equal to Buyer's Contract Demand for Rate GSG-LV customers ❐.

9. For service rendered under Rate Schedule NGV for compressed natural gas vehicle service at company owned stations, by checking the box at the end of this sentence ☐.
a. Minimum Capability ________________ MCF per day.
b. Maximum Capability ________________MCF per day.

10. By checking the box a the end of this sentence and for the appropriate maximum delivery capability for service rendered under Rate Schedule NGV for compressed natural gas vehicle service at customer operated fueling stations ☐.
a. Maximum delivery capability 0 – 999 CFH ☐.
b. Maximum delivery capability 1,000 – 4,999 CFH ☐.
c. Maximum delivery capability 5,000 – 24,999 CFH ☐.
d. Maximum delivery capability 25,000 or greater CFH ☐.

ARTICLE V
Force Majeure

In the event of either party being rendered unable wholly or in part, by force majeure to carry out its obligations, other than the obligations to make payment of amounts accrued and due hereunder at the time thereof, it is agreed that on such party's giving notice and full particulars of such force majeure in writing or by e-mail to the other party within a reasonable time after the occurrence of the cause relied on, the obligations of both parties, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused, but for no longer period and such cause shall so far as possible be remedied with all reasonable dispatch.

Neither party shall be liable in damages to the other for any act, omission, or circumstances occasioned by, or in consequence of force majeure, as defined in Company's Tariff For Gas Service, B.P.U.N.J. No. 11 - Gas.

Such causes or contingencies affecting the performance by either party, however, shall not relieve it of liability unless such party shall give notice and full particulars of such cause or contingency in writing or by e-mail to the other party as soon as possible after the occurrence relied upon, nor shall such causes or contingencies affecting the performance by either party hereunder relieve it of liability in the event of its failure to use due diligence to remedy the situation, nor shall such causes or contingencies affecting the performance hereunder relieve either party from its obligation to make payments of amounts then due hereunder in respect of all gas theretofore delivered.

STANDARD GAS SERVICE AGREEMENT (GS)
(Continued)

ARTICLE VI
Miscellaneous

This Agreement supersedes and cancels as of the effective date hereof all prior contracts and supplemental agreements, oral or written, between the parties hereto for the sale of gas by the Seller to the Buyer.

No waiver by either party of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any future default or defaults. whether of a like or a different character.

This Agreement shall be interpreted, performed and enforced in accordance with the laws of the State of New Jersey.

This Agreement shall be binding upon, and inure to the benefit of the parties hereto and their respective successors and assigns, but shall not be assigned or be assignable by Buyer without the consent in writing of Seller first obtained.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

SOUTH JERSEY GAS COMPANY

ATTEST:

By: ____
(Name)

____

____

____
(Title)

SELLER

ATTEST:

____
(Name - Company)

____

By: ____
(Name)

____
(Title)

BUYER

STANDARD GAS SERVICE AGREEMENT (LV)

This Agreement entered into this _________________ day of _____________ , 20 , by and between South Jersey Gas Company, a New Jersey Corporation, hereinafter referred to as "Seller" or "Company" and ____hereinafter referred to as "Buyer."

WITNESSETH:

Subject to the terms and conditions contained herein, Seller agrees to sell and deliver and Buyer agrees to purchase and pay for services required by Buyer under Rate Schedule(s) ____________________________________ at as follows:

ARTICLE I
Term of Agreement

This Agreement shall commence____ and be effective from the date hereof and the sale and purchase of services hereunder shall continue until__________________________, a date which is at least twelve (12) months from the commencement, and subject to Seller's possession of an adequate supply of gas as to Rate Schedules LVS and IGS, and subject to Seller's possession of adequate system capacity as to Rate Schedules LVS Firm Transportation Service, LVS Limited Firm Transportation and CTS shall continue thereafter from year to year unless and until terminated upon written notice given by either party to the other, at least six (6) months prior to the end of any yearly term.

ARTICLE II
Duly Constituted Authorities

The rates of Seller, and the respective obligations of the parties under this Agreement, are subject to valid laws, orders, rules, and regulation of duly constituted authorities having jurisdiction. The rates, terms, and conditions of this Agreement are subject to change as may be lawfully required or permitted by the Board of Public Utilities of New Jersey, or successor agencies.

ARTICLE III
Tariff For Gas Service

All terms and conditions set forth in Seller's Tariff For Gas Service B.P.U.N.J. No. 11 - Gas are incorporated herein by reference. All sales are subject to the General Terms and Conditions of Seller's Tariff For Gas Service and more specifically by the conditions contained in the Rate Schedule or Rate Schedules contracted for herein.

STANDARD GAS SERVICE AGREEMENT (LV)
(Continued)

ARTICLE IV
Service Volumes

1. For service rendered under Rate Schedule LVS, Firm Transportation Service ________ or CTS _________(check appropriate space):
Seller hereby agrees to sell and deliver to Buyer and Buyer agrees to pay for in accordance with provisions of the tariff a Contract Demand of ______________ Mcf per day. By checking the box at the end of this sentence, Buyer hereby elects to take a Capacity Assignment of interstate pipeline capacity from the Company, pursuant to a Capacity Assignment Agreement with a term co-extensive with the Term of Agreement set forth in Article I, in a quantity equal to Buyer's Contract Demand for a period of time co-extensive with the Term of Agreement pursuant to Article I. ❐ Buyer hereby elects to take service in excess of Contract Demand pursuant to the Limited Firm provisions of Rate Schedules CTS or LVS. ❐

2. For service rendered under Rate Schedule IGS:
For the purpose of providing criteria for the proration of available supplies, Buyer hereby indicates its minimum and maximum capability of accepting IGS Service:
   a. Minimum capability _________________Mcf per day.
   b. Maximum capability _________________Mcf per day.

   Customer certifies that its alternate fuel capability is_____________________________________.

3. For service rendered under Rate Schedule LVS Firm Transportation Service or CTS:
The Company agrees to transport and deliver to the Buyer at the Buyer's facility designated on the first page of this Agreement such quantity of gas that Buyer makes available from time to time; provided, however, Company shall not be obligated to transport and deliver more than________________________Mcf per day which will be Buyer's Contract Demand.

   For service rendered under Rate Schedule LVS Limited Firm Transportation Service: the Company agrees to transport and deliver to the Buyer at the Buyer's facility designated on the first page of this Agreement such quantity of gas that Buyer makes available from time to time; provided, however, Company shall not be obligated to transport and deliver more than ________ Mcf per day which will be Buyer's Limited Firm Contract Demand.

   It is understood by Buyer and Seller, that by electing to take delivery of gas under Rate Schedules LVS Firm Transportation Service, LVS Limited Firm Transportation Service or CTS, Buyer forgoes any right or entitlement to purchase the Company's firm system gas, during the term of this Agreement. After the term of this Agreement, if Buyer requests that the Company sell firm system gas to the Buyer, the Buyer shall be treated as a new applicant for service, with no greater entitlement to firm gas sales service than is had by any other New Customer.

ARTICLE V
Opt-Out Provision

Buyer hereby elects, by initialing in the space provided, for a term co-extensive with the Term of Agreement set forth in Article I, to provide its own interstate pipeline capacity and gas supply to Seller's

STANDARD GAS SERVICE AGREEMENT (LV)
(Continued)

City Gate Station. By making such election, Seller becomes eligible to pay the lower BS-1 Volumetric Charge pursuant to Rate Schedule CTS or Rider "I" as applicable. If Buyer does not make this election, Buyer will pay the higher BS-1 Volumetric Charge, pursuant to Rate Schedule CTS or Rider "I" as applicable. Buyer will be subject to the "opt-out" provision provided for in the Company's tariff.

____
Initials

ARTICLE VI
Force Majeure

In the event of either party being rendered unable wholly or in part, by force majeure to carry out its obligations, other than the obligations to make payment of amounts accrued and due hereunder at the time thereof, it is agreed that on such party's giving notice and full particulars of such force majeure in writing or by e-mail to the other party within a reasonable time after the occurrence of the cause relied on, the obligations of both parties, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused, but for no longer period and such cause shall so far as possible be remedied with all reasonable dispatch.

Neither party shall be liable in damages to the other for any act, omission, or circumstances occasioned by, or in consequence of force majeure, as defined in the Company's Tariff For Gas Service, B.P.U.N.J. No. 11 - Gas. Such causes or contingencies affecting the performance by either party, however, shall not relieve it of liability unless such party shall give notice and full particulars of such cause or contingency in writing or by e-mail to the other party as soon as possible after the occurrence relied upon, nor shall such causes or contingencies affecting the performance by either party hereunder relieve it of liability in the event of its failure to use due diligence to remedy the situation, nor shall such causes or contingencies affecting the performance hereunder relieve either party from its obligation to make payments of amounts then due hereunder in respect of all gas theretofore delivered.

ARTICLE VII
Miscellaneous

This Agreement supersedes and cancels as of the effective date hereof all prior contracts and supplemental agreements, oral or written, between the parties hereto for the sale of gas by the Seller to the Buyer.

No waiver by either party of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or a different character.

This Agreement shall be interpreted, performed and enforced in accordance with the laws of the State of New Jersey.

This Agreement shall be binding upon, and inure to the benefit of the parties hereto and their respective successors and assigns, but shall not be assigned or be assignable by Buyer without the consent in writing of Seller first obtained.

STANDARD GAS SERVICE AGREEMENT (LV)
(Continued)

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

SOUTH JERSEY GAS COMPANY

ATTEST:

By: ______________________________
(Name)

____

____
(Title)

Seller:

ATTEST:

____
(Name - Company)

____

By: ______________________________
(Name)

____
(Title)

Buyer:

STANDARD GAS SERVICE AGREEMENT (ITS)

This Agreement entered into this __________________ day of___________________________ , 20 , by and between South Jersey Gas Company, a New Jersey Corporation, hereinafter referred to as "Company" and

______________________________hereinafter referred to as "Customer."

WITNESSETH

WHEREAS, Company's Tariff for Gas Service contains a Rate Schedule designated as Interruptible Transportation Service (ITS); and

WHEREAS, Customer has arranged to have gas, to which Customer has clear and marketable title, made available for transportation service on the Company's system and the Customer has provided evidence of such title to the Company as required by the ITS Rate Schedule; and

WHEREAS, Customer has requested Company to transport said gas under Rate Schedule ITS, from Company's city gate station(s) located at____
____
____
____
____

ARTICLE I
Term of Agreement

NOW, THEREFORE, Company and Customer agree as follows:

This Agreement shall commence on ____and be effective from the date hereof and continue for a term of (one month minimum term) and continue thereafter from month to month until terminated by either Company or Customer by written notice at least thirty (30) days prior to the beginning of any one month term.

ARTICLE II
Duly Constituted Authorities

The Company's rates, and the respective obligations of the parties under this Agreement, are subject to valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction. The rates, terms, and conditions of this Agreement are subject to change as may be lawfully required or permitted by the Board of Public Utilities of New Jersey, or successor agencies.

STANDARD GAS SERVICE AGREEMENT (ITS)
(Continued)

ARTICLE III
Tariff For Gas Service

All terms and conditions set forth in Company's Tariff for Gas Service B.P.U.N.J. No. 11 - Gas are incorporated herein by reference. All services are subject to the General Terms and Conditions of Company's Tariff for Gas Service and more specifically the provisions set forth in the Interruptible Transportation Service (ITS) Rate Schedule.

ARTICLE IV
Service Volumes

The Company agrees to transport such quantity of gas that Customer makes available from time to time; provided, however, that Company shall not be obligated to transport and deliver more than___________________DT per day, the Scheduled Daily Delivery.

ARTICLE V
No Priority

Customer and Company recognize and agree that the provision of service under Rate Schedule ITS by the Company shall not afford the Customer any benefit or priority of entitlement to service under any other rate schedule of the Company. Should the Customer apply for service under any other rate schedule of the Company, the Customer will be treated no differently from any other applicant for service similarly situated under similar conditions.

ARTICLE VI
Alternate Fuel Capability

Customer certifies that its alternate fuel capability is____ .

ARTICLE VII
Force Majeure

In the event of either party being rendered unable wholly or in part, by force majeure to carry out its obligations, other than the obligations to make

STANDARD GAS SERVICE AGREEMENT (ITS)
(Continued)

payment of amounts accrued and due hereunder at the time thereof, it is agreed that on such party's giving notice and full particulars of such force majeure in writing or by e-mail to the other party within a reasonable time after the occurrence of the cause relied on, the obligations of both parties, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused, but for no longer period and such cause shall so far as possible be remedied with all reasonable dispatch.

Neither party shall be liable in damages to the other for any act, omission, or circumstances occasioned by, or in consequence of force majeure, as defined in Company's Tariff for Gas Service, B.P.U.N.J. No. 11 - Gas.

Such causes or contingencies affecting the performance by either party, however, shall not relieve it of liability unless such party shall give notice and full particulars of such cause or contingency in writing or by e-mail to the other party as soon as possible after the occurrence relied upon, nor shall such causes or contingencies affecting the performance by either party here-under relieve it of liability in the event of its failure to use due diligence to remedy the situation, nor shall such causes or contingencies affecting the performance hereunder relieve customer from its obligation to make payments of amounts then due hereunder in respect of all gas theretofore delivered.

ARTICLE VII
Miscellaneous

This Agreement supersedes and cancels as of the effective date hereof all prior contracts and supplemental agreements, oral or written, between the parties hereto solely for the transportation of gas by the Company to the Customer.

No waiver by either party of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any further default or defaults, whether of a like or a different character.

This Agreement shall be interpreted, performed and enforced in accordance with the laws of the State of New Jersey.

This Agreement shall be binding upon, and inure to the benefit of the parties hereto and their respective successors and assigns, but shall not be assigned or be assignable by Customer without the Consent in writing of Company first obtained.

STANDARD GAS SERVICE AGREEMENT (ITS)
(Continued)

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

SOUTH JERSEY GAS COMPANY

ATTEST:

______________________________ By: ______________________________
(Name)

____
(Title)

____
(Name of Customer)

ATTEST:

______________________________ By: ______________________________
(Name)

____
(Title)

STANDARD GAS SERVICE AGREEMENT (IGS)

This Agreement entered into this _______________ day of ________________________ , 20 , by and between South Jersey Gas Company, a New Jersey Corporation, hereinafter referred to as "Seller" or "Company" and___________ ____ hereinafter referred to as "Buyer."

WITNESSETH:

Subject to the terms and conditions contained herein, Seller agrees to sell and deliver and Buyer agrees to purchase and pay for services required by Buyer under Rate Schedule(s)____ _________ at ____ , as follows:

ARTICLE I
Term of Agreement

This Agreement shall commence ____ and be effective from the date hereof and the sale and purchase of gas hereunder shall continue until ________________ , a date which is at least twelve (12) months from the commencement, and subject to Seller's possession of an adequate supply of gas, shall continue thereafter from year to year unless and until terminated upon written notice given by either party to the other at least six (6) months prior to the end of any yearly term.

ARTICLE II
Duly Constituted Authorities

The rates of Seller, and the respective obligations of the parties under this Agreement, are subject to valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction. The rates, terms, and conditions of this Agreement are subject to change as may be lawfully required or permitted by the Board of Public Utilities of New Jersey, or successor agencies.

ARTICLE III
Tariff For Gas Service

All terms and conditions set forth in Seller's Tariff For Gas Service B.P.U.N.J. No. 11 - Gas are incorporated herein by reference. All sales are subject to the General Terms and Conditions of Seller's Tariff For Gas Service and more specifically by the conditions contained in the Rate Schedule contracted for herein.

STANDARD GAS SERVICE AGREEMENT (IGS)
(Continued)

ARTICLE IV
Service Volumes

For service rendered under Rate Schedule IGS:
For the purpose of providing criteria for the proration of available supplies, Buyer hereby indicates its minimum and maximum capability of accepting IGS Service:

a. Minimum capability ___________ Mcf per day.
b. Maximum capability ___________Mcf per day.

Customer certifies that the alternate fuel capability is____ .

ARTICLE V
Force Majeure

In the event of either party being rendered unable wholly or in part, by force majeure to carry out its obligations, other than the obligations to make payment of amounts accrued and due hereunder at the time thereof, it is agreed that on such party's giving notice and full particulars of such force majeure in writing or by e-mail to the other party within a reasonable time after the occurrence of the cause relied on, the obligations of both parties, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused, but for no longer period and such cause shall so far as possible be remedied with all reasonable dispatch.

Neither party shall be liable in damages to the other for any act, omission, or circumstances occasioned by or in consequence of force majeure, as defined in Company's Tariff For Gas Service, B.P.U.N.J. No. 11 - Gas.

Such causes or contingencies affecting the performance by either party, however, shall not relieve it of liability unless such party shall give notice and full particulars of such cause or contingency in writing or by e-mail to the other party as soon as possible after the occurrence relied upon, nor shall such causes or contingencies affecting the performance by either party hereunder relieve it of liability in the event of its failure to use due diligence to remedy the situation, nor shall such causes or contingencies affecting the performance hereunder relieve either party from its obligation to make payments of amounts then due hereunder in respect of all gas theretofore delivered.

STANDARD GAS SERVICE AGREEMENT (IGS)
(Continued)

ARTICLE VI
Miscellaneous

This Agreement supersedes and cancels as of the effective date hereof all prior contracts and supplemental agreements, oral or written, between the parties hereto for the sale of gas by the Seller to the Buyer.

No waiver by either party of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or a different character.

This Agreement shall be interpreted, performed and enforced in accordance with the laws of the State of New Jersey.

This Agreement shall be binding upon, and inure to the benefit of the parties hereto and their respective successors and assigns, but shall not be assigned or be assignable by Buyer without the consent in writing of Seller first obtained.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

SOUTH JERSEY GAS COMPANY

ATTEST:

By: ______________________________
(Name)

____

____
(Title)

SELLER

ATTEST:

____
(Name - Company)

____

By: ______________________________
(Name)

____
(Title)

BUYER

STANDARD GAS SERVICE AGREEMENT (EGS)

This Agreement entered into this________________day of ____________________, 20 , by and between South Jersey Gas Company, a New Jersey Corporation, hereinafter referred to as "Seller" or "Company" and __________ ____ , hereinafter referred to as "Buyer."

WITNESSETH:

Subject to the terms and conditions contained herein, Seller agrees to sell and deliver and Buyer agrees to purchase and pay for services required by Buyer under Rate Schedule EGS ☐; or Rate Schedule EGS-LV ☐: at__________________________________as follows:

ARTICLE I
Term of Agreement

This Agreement shall be effective from the date of execution. The sale and purchase of gas hereunder shall commence on ______________________ and continue until____________________________________ , and subject to Seller's possession of an adequate supply of gas (except for Rate Schedule EGS-LV customers electing Rider "D" and Rate Schedule EGS Firm Transportation customers), shall continue thereafter from year to year unless and until terminated upon written notice given by either party to the other, at least six (6) months prior to the end of any yearly term, or the initial term.

ARTICLE II
Facilities Charge

In consideration for Seller's agreement to provide service as described in this agreement, Buyer agrees to pay a facilities charge of $_____________________ , at the time of execution of Standard Gas Service Agreement (EGS), which represents the initial estimate of the capital cost of providing service to the Buyer's facility or some agreed upon portion thereof. This payment will be refunded or credited against the customer security deposit, after the first month of the provision of gas service to the customer. If the Buyer terminates this agreement or fails to initiate service hereunder, or fails to make any deposit required by Article III, this sum shall be retained by the Seller.

ARTICLE III
Commitment Fee

Each potential payment obligation of Buyer under this Article III, shall be deposited with the Company twelve (12) months in advance, without interest, if gas service commences more than twelve (12) months from the effective date of this agreement, the Buyer shall pay to Seller, a nonrefundable commitment fee of $________________________ , which shall be equal to one month's minimum bill, and shall pay an equal amount on each anniversary date of the effective date of this Standard Gas Service Agreement (EGS), until gas service commences.

Pursuant to this Article III, Buyer hereby deposits with the Company, and the Company hereby acknowledges a deposit of $______________________ .

STANDARD GAS SERVICE AGREEMENT (EGS)
(Continued)

ARTICLE IV
Buyer Security Deposit

Seller may require from Buyer a security deposit which will be due before the commencement of gas service. This deposit will be equal to the estimated amount of two (2) monthly billings for Buyers served under Rate Schedule EGS-LV and intending to utilize Rider D and for Rate Schedule EGS Firm Transportation customers and three (3) monthly billings for Buyers intending to utilize the Company's gas supply.

ARTICLE V
Duly Constituted Authorities

The rates of Seller, and the respective obligations of the parties under this Agreement, are subject to valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction. The rates, terms, and conditions of this Agreement are subject to change as may be lawfully required or permitted by the Board of Public Utilities of New Jersey, or successor agencies.

ARTICLE VI
Tariff for Gas Service

All terms and conditions set forth in Seller's Tariff for Gas Service B.P.U.N.J. No. 11 - Gas are incorporated herein by reference. All sales are subject to the General Terms and Conditions of Seller's Tariff for Gas Service and more specifically by the conditions contained in the Rate Schedule contracted for herein.

ARTICLE VII
Service Volumes

1. For service rendered under Rate Schedule EGS-LV, customer's Firm and Limited Firm Daily Contract Demands shall be:

   a. Firm - __________ Mcf per day, to be the first gas through the meter each day.

   b. Limited Firm - __________ Mcf per day, to be the next gas through the meter each day.

2. Buyer hereby elects, by signing in the space below to provide its own gas pursuant to Rider D. All or any portion of Buyer's Firm Daily Contract Demand and Limited Firm Daily Contract Demand, pursuant to this Article VII of the Standard Gas Service Agreement (EGS), may be met through Rider D, and Seller has no obligation to sell gas to Buyer under any other article, paragraph or provision of Rate Schedule EGS-LV or the Standard Gas Service Agreement (EGS).

   Buyer hereby elects Rider D______________________________ .

   For service rendered under Rate Schedule EGS-LV, customer's Firm and Limited Firm Daily Contract Demand levels provided pursuant to Rider D shall be:

STANDARD GAS SERVICE AGREEMENT (EGS)
(Continued)

a. Firm - ______________ Mcf per day.

b. Limited Firm - ___________ Mcf per day.

3. For service rendered under Rate Schedule EGS, customer's Firm Daily Contract Demand shall be:

__________ Mcf per day, to be the first gas through the meter each day.

4. For service rendered under Rate Schedule EGS Firm Transportation Service:
The Company agrees to transport and deliver to the Buyer at the Buyer's facility designated on the first page of this Agreement such quantity of gas that Buyer makes available from time to time; provided, however, Company shall not be obligated to transport and deliver more than________________________Mcf per day which will be Buyer's Contract Demand.

It is understood by Buyer and Seller, that by electing to take delivery of gas under Rate Schedule EGS Firm Transportation Service, Buyer forgoes any right or entitlement to purchase the Company's firm system gas, during the term of this Agreement. After the term of this Agreement, if Buyer requests that the Company sell firm system gas to the Buyer, the Buyer shall be treated as a new applicant for service, with no greater entitlement to firm gas sales service than is had by any other New Customer.

ARTICLE VIII
Rates

_____ As provided in the Monthly Rate section of Rate Schedule EGS; or

_Negotiated rates pursuant to Special Provision (e) of Rate Schedule EGS-LV:

D-1 charge will be _______________.

Limited Firm:

C-3 charge will be ________ . **ALL CUSTOMERS MUST COMPLETE.**

STANDARD GAS SERVICE AGREEMENT (EGS)
(Continued)

ARTICLE IX
Election

By checking the box at the end of this sentence, customer elects to take balancing service under Rider "I", rather than under Rider "J" to this Tariff. ☐

ARTICLE X
Opt-Out Provision

Buyer (a Rate Schedule EGS-LV customer) hereby elects, by initialing in the space provided, for a term co-extensive with the Term of Agreement set forth in Article I, to provide its own interstate pipeline capacity and gas supply to Seller's City Gate Station. By making such election, Seller becomes eligible to pay the lower BS-1 Volumetric Charge pursuant to Rider "I". If Buyer does not make this election, Buyer will pay the higher BS-1 Volumetric Charge, pursuant to Rider "I". Buyer will be subject to the opt-out provisions provided for in the Company's tariff.

____
Initials

ARTICLE XI
Force Majeure

In the event of either party being rendered unable wholly or in part, by force majeure to carry out its obligations, other than the obligations to make payment of amounts accrued and due hereunder at the time thereof, it is agreed that on such party's giving notice and full particulars of such force majeure in writing or by e-mail to the other party within a reasonable time after the occurrence of the cause relied on, the obligations of both parties, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused, but for no longer period and such cause shall so far as possible be remedied with all reasonable dispatch.

Neither party shall be liable in damages to the other for any act, omission, or circumstances occasioned by, or in consequence of force majeure, as defined in Company's Tariff for Gas Service, B.P.U.N.J. No. 11 - Gas.

Such causes or contingencies affecting the performance by either party, however, shall not relieve it of liability unless such party shall give notice and full particulars of such cause or contingency in writing or by e-mail to the other party as soon as possible after the occurrence relied upon, nor shall such causes or contingencies affecting the performance by either party hereunder relieve it of liability in the event of its failure to use due diligence to remedy the situation, nor shall such causes or contingencies affecting the performance hereunder relieve either party from its obligation to make payments of amounts then due hereunder in respect of all gas theretofore delivered.

ARTICLE XII
Miscellaneous

This Agreement supersedes and cancels as of the effective date hereof all prior contracts and supplemental agreements, oral or written, between the parties hereto for the sale of gas by the Seller to the Buyer.

No waiver by either party of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or a different character.

STANDARD GAS SERVICE AGREEMENT (EGS)
(Continued)

This Agreement shall be interpreted, performed and enforced in accordance with the laws of the State of New Jersey.

This Agreement shall be binding upon, and inure to the benefit of the parties hereto and their respective successors and assigns, but shall not be assigned or be assignable by Buyer without the consent in writing of Seller first obtained.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

SOUTH JERSEY GAS COMPANY

ATTEST:

____

By: ______________________________
(Name)

____
(Title)

SELLER

ATTEST:

____
(Name - Company)

____

____
(Name)

____
(Title)

BUYER

STANDARD GAS SERVICE AGREEMENT (FES)

This Agreement entered into this____________________ day of _________________________ , 20 , by and between South Jersey Gas Company, a New Jersey Corporation, hereinafter referred to as "Seller" or "Company" and ____ and hereinafter referred to as "Buyer."

WITNESSETH:

Subject to the terms and conditions contained herein, Seller agrees to sell and deliver and Buyer agrees to purchase and pay for services required by Buyer under Rate Schedule FES _____________________________________ at ____ , which is Buyer's FES Facility, as follows:

ARTICLE I
Term of Agreement

This Agreement shall commence____and be effective from the date hereof and the sale and purchase of gas hereunder shall continue until______________________________ , and subject to Seller's possession of an adequate supply of gas, shall continue thereafter from year to year unless and until terminated upon written notice given by either party to the other, at least six (6) months prior to the end of the initial term or any yearly term.

ARTICLE II
Duly Constituted Authorities

The rates of Seller, and the respective obligations of the parties under this Agreement, are subject to valid laws, orders, rules, and regulation of duly constituted authorities having jurisdiction. The rates, terms, and conditions of this Agreement are subject to change as may be lawfully required or permitted by the Board of Public Utilities of New Jersey.

ARTICLE III
Tariff For Gas Service

All terms and conditions set forth in Seller's Tariff For Gas Service B.P.U.N.J. No. 11 - Gas are incorporated herein by reference. All sales are subject to the General Terms and Conditions of Seller's Tariff For Gas Service and more specifically by the conditions contained in the rate schedules contracted for herein.

ARTICLE IV
Service Volumes

Firm:

Seller hereby agrees to sell and deliver to Buyer and Buyer agrees to pay for in accordance with provisions of the tariff:

(1) a Winter Daily Contract Demand of _____________ Mcf per day;
(2) a Summer Daily Contract Demand of _______________ MCF per day.

STANDARD GAS SERVICE AGREEMENT (FES)
(Continued)

Billing Determinants:

(1) Customer shall have a Annual Billing Determinant (“ABD”) of ________________ .

(2) Customer shall have a Daily Billing Determinant of _________________ . (ABD/365)

ARTICLE V
Rates

Negotiated rates pursuant to Special Provision (j) of the Rate Schedule FES are as follows:

Winter Rates:

D-1 Charge will be ____________.

C-3 Charge will be ____________.

Summer Rates:

D-1 Charge will be ____________.

C-3 Charge will be ____________.

ARTICLE VI
Winter Season Interruption

Buyer and Seller agree that Buyer’s service under Rate Schedule FES may be partially or totally interrupted on ____ days during a Winter Season pursuant to Special Provision (r) of Rate Schedule FES

ARTICLE VII
Customer Owned Gas

Customer has requested Company to deliver said gas under Rate Schedule FES, Rider “D” from Company's city gate station(s) located at
____
____
____
____

STANDARD GAS SERVICE AGREEMENT (FES)
(Continued)

The Company agrees to deliver such quantity of gas that Customer makes available from time to time: provided, however, Company shall not be obligated on a daily basis to deliver more than customer's Winter Daily Contract Demand or Summer Daily Contract Demand for the then applicable season.

ARTICLE VIII
Force Majeure

In the event of either party being rendered unable wholly or in part, by force majeure to carry out its obligations, other than the obligations to make payment of amounts accrued and due hereunder at the time thereof, it is agreed that on such party's giving notice and full particulars of such force majeure in writing or by e-mail to the other party within a reasonable time after the occurrence of the cause relied on, the obligations of both parties, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused, but for no longer period and such cause shall so far as possible be remedied with all reasonable dispatch.

Neither party shall be liable in damages to the other for any act, omission, or circumstances occasioned by, or in consequence of force majeure, as defined in Company's Tariff For Gas Service, B.P.U.N.J. No. 11 - Gas.

Such causes or contingencies affecting the performance by either party, however, shall not relieve it of liability unless such party shall give notice and full particulars of such cause or contingency in writing or by e-mail to the other party as soon as possible after the occurrence relied upon, nor shall such causes or contingencies affecting the performance by either party hereunder relieve it of liability in the event of its failure to use due diligence to remedy the situation, nor shall such causes or contingencies affecting the performance hereunder relieve either party from its obligation to make payments of amounts then due hereunder in respect of all gas theretofore delivered.

ARTICLE IX
Miscellaneous

This Agreement supersedes and cancels as of the effective date hereof all prior contracts and supplemental agreements for firm service, oral or written, between the parties hereto for the sale of gas by the Seller to the Buyer.

No waiver by either party of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or a different character.

This Agreement shall be interpreted, performed and enforced in accordance with the laws of the State of New Jersey.

This Agreement shall be binding upon, and inure to the benefit of the parties hereto and their respective successors and assigns, but shall not be assigned or be assignable by Buyer without the consent in writing of Seller first obtained.

STANDARD GAS SERVICE AGREEMENT (FES)
(Continued)

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

SOUTH JERSEY GAS COMPANY

ATTEST:

By: ____
(Name)

____

____
(Title)

SELLER

____
(Name - Company)

ATTEST:

____

By: ____
(Name)

____
(Title)

STANDARD GAS SERVICE AGREEMENT (NGV)

This Agreement entered into this______________day of ___________________ , 20 , by and between South Jersey Gas Company, a New Jersey Corporation, hereinafter referred to as "Seller" or "Company" and ____ , hereinafter referred to as "Buyer."

WITNESSETH:

Subject to the terms and conditions contained herein, Seller agrees to sell and deliver and Buyer agrees to purchase and pay for services required by Buyer under Rate Schedule Natural Gas Vehicle (NGV) Firm Sales Service ☐ Rate Schedule Natural Gas Vehicle (NGV) Firm Transportation Service ☐ at____, as follows:

ARTICLE I
Term of Agreement

This Agreement shall commence ____ and be effective from the date hereof and the sale and purchase of services hereunder shall continue until ___________ , a date which is at least twelve (12) months from the commencement, and subject to Seller's possession of an adequate supply of gas as to Firm Sales Service; IGS, and subject to Seller’s possession of adequate system capacity as to Firm Transportation Service, shall continue thereafter from year to year unless and until terminated upon written notice given by either party to the other, at least six (6) months prior to the end of any yearly term.

ARTICLE II
Duly Constituted Authorities

The rates of Seller, and the respective obligations of the parties under this Agreement, are subject to valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction. The rates, terms, and conditions of this Agreement are subject to change as may be lawfully required or permitted by the Board of Public Utilities of New Jersey, or successor agencies.

ARTICLE III
Tariff For Gas Service

All terms and conditions set forth in Seller's Tariff For Gas Service B.P.U.N.J. No. 11 - Gas are incorporated herein by reference. All sales are subject to the General Terms and Conditions of Seller's Tariff For Gas Service and more specifically by the conditions contained in Rate Schedule Natural Gas Vehicle (NGV).

STANDARD GAS SERVICE AGREEMENT (NGV)
(Continued)

ARTICLE IV
Service Volumes

1. By checking the box at the end of this sentence, customer elects to take balancing service under Rider "I", rather than under Rider "J" . ☐

2. The customer's Daily Contract Quantity ("DCQ") will be established pursuant to the terms of Rider "J" to this Tariff. Under no circumstances shall the Company be obligated to deliver more than the customer's DCQ for the customer's account. Moreover, if the DCQ shall prove insufficient or excessive in any respect for the customer's needs, the Company shall not assume any responsibility or liability of any kind for such excess or insufficiency.

3. For service rendered under Rate Schedule NGV for compressed natural gas vehicle service at company owned stations, by checking the box at the end of this sentence ☐.
   a. Minimum Capability ________________ MCF per day.
   b. Maximum Capability ________________MCF per day.

4. By checking the box a the end of this sentence and for the appropriate maximum delivery capability for service rendered under Rate Schedule NGV for compressed natural gas vehicle service at customer operated fueling stations ☐.
   a. Maximum delivery capability 0 – 999 CFH ☐.
   b. Maximum delivery capability 1,000 – 4,999 CFH ☐.
   c. Maximum delivery capability 5,000 – 24,999 CFH ☐.
   d. Maximum delivery capability 25,000 or greater CFH ☐.

ARTICLE V
Force Majeure

In the event of either party being rendered unable wholly or in part, by force majeure to carry out its obligations, other than the obligations to make payment of amounts accrued and due hereunder at the time thereof, it is agreed that on such party's giving notice and full particulars of such force majeure in writing or by e-mail to the other party within a reasonable time after the occurrence of the cause relied on, the obligations of both parties, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused, but for no longer period and such cause shall so far as possible be remedied with all reasonable dispatch.

Neither party shall be liable in damages to the other for any act, omission, or circumstances occasioned by, or in consequence of force majeure, as defined in Company's Tariff For Gas Service, B.P.U.N.J. No. 11 - Gas.

Such causes or contingencies affecting the performance by either party, however, shall not relieve it of liability unless such party shall give notice and full particulars of such cause or contingency in writing or by e-mail to the other party as soon as possible after the occurrence relied upon, nor shall such causes or contingencies affecting the performance by either party hereunder relieve it of liability in the event of its failure to use due diligence to remedy the situation, nor shall such causes or contingencies affecting the performance hereunder relieve either party from its obligation to make payments of amounts then due hereunder in respect of all gas theretofore delivered.

STANDARD GAS SERVICE AGREEMENT (NGV)
(Continued)

ARTICLE VI
Miscellaneous

This Agreement supersedes and cancels as of the effective date hereof all prior contracts and supplemental agreements, oral or written, between the parties hereto for the sale of gas by the Seller to the Buyer.

No waiver by either party of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any future default or defaults. whether of a like or a different character.

This Agreement shall be interpreted, performed and enforced in accordance with the laws of the State of New Jersey.

This Agreement shall be binding upon, and inure to the benefit of the parties hereto and their respective successors and assigns, but shall not be assigned or be assignable by Buyer without the consent in writing of Seller first obtained.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

SOUTH JERSEY GAS COMPANY

ATTEST:

By: ____
(Name)
____

____

____
(Title)

SELLER

ATTEST:

____
(Name - Company)

____

By: ____
(Name)

____
(Title)

BUYER

AGREEMENT NO. :

AGGREGATOR/MARKETER'S AGREEMENT (A/M)

This Agreement entered into this ______________ day of _____________ , 20 , by and between South Jersey Gas Company, a New Jersey corporation, sometimes hereinafter referred to as "Seller", "South Jersey" or "Company" and ____, a _________________________________corporation whose principal place of business is located at____ , and who transacts business as an Aggregator of gas or as a Marketer of gas, sometimes collectively hereinafter referred to as "Aggregator/Marketer". South Jersey and the Aggregator/Marketer are parties to this Agreement, and are sometimes hereinafter referred to as "Parties."

WHEREAS, South Jersey is a regulated public utility of the State of New Jersey, and is engaged in the sale, distribution and transportation of gas in intrastate commerce within said State; and

WHEREAS, the Aggregator/Marketer has arranged for the delivery of gas to a City Gate Station of South Jersey, on behalf of certain customers ("Customers") identified on Appendix A to this Agreement. A customer group is defined as either a group of customers served under a single Rate Schedule or a group of customers served pursuant to Rider “I” Balancing Service Clause - Large Volume; and

WHEREAS, each Customer Group will consist of Customers served pursuant to a single Rate Schedule of the South Jersey Tariff for Gas Service, B.P.U.N.J. No. 11 - Gas and will be designated on Appendix A by reference to that Rate Schedule;

WHEREAS, the Customers who constitute the members of the Customer Groups have requested that South Jersey transport gas for the Customers on an aggregated basis, as part of said Customer Groups; and

WHEREAS, the Company has agreed to perform such transportation of gas, subject to the terms of this Agreement.

NOW, THEREFORE, the Parties, intending to be legally bound hereby, in exchange for the mutual promises contained herein; agree as follows:

1. **Term.** The term of this Agreement shall be one year from the date of this Agreement, and shall continue thereafter from year to year unless and until terminated upon written notice given by either party to the other at least thirty (30) days prior to the effective date of any termination.

2. **Aggregation.** Attached hereto as Appendix A is a list of those Customers comprising the initial Customer Groups pursuant to the terms of this Agreement, if such groups exist. On or before the tenth (10th) day of each calendar month, the Aggregator/Marketer shall provide the Company with a revised Appendix A in which the Aggregator/Marketer will designate those Customers who will be members of the Customer Groups for the immediately following calendar month. This list will be furnished on a preliminary basis. The Company may then advise the Aggregator/Marketer of any members of the Customer Groups who have been removed from the Customer Groups for cause pursuant to the terms of this Agreement, as well as any Customers who have advised the Company that they have "opted out" of

AGGREGATOR/MARKETER'S AGREEMENT (A/M)
(Continued)

the Customer Groups. On or before the twentieth (20th) day of said calendar month, the Aggregator/Marketer will provide the Company with a final Appendix A for the immediately following calendar month. Then all of the volumes transported for that Customer Group under the terms of this Agreement shall be aggregated as to that single customer Group for the purposes of Rider "I", the Balancing Service Clause - Large Volume, of the Tariff for Gas Service, or Rider "J", the Balancing Service Clause - General Service of the Tariff for Gas Service.

3. **Liability for Tariff Charges.** Each month, South Jersey will render an invoice to the Aggregator/Marketer for tariff charges pursuant to Rider "I" or Rider "J" to the Tariff for Gas Service on an aggregated basis for the Customer Group, as well as for the monthly Aggregator/Marketer's Fee, but excluding the BS-1 Volumetric Charges. This invoice shall be payable pursuant to the applicable Terms of Payment provisions of the applicable rider of South Jersey's Tariff for Gas Service. The Aggregator/Marketer shall be responsible for the payment of all charges pursuant to this paragraph. South Jersey will invoice the customer directly for charges for transportation pursuant to the applicable Rate Schedule, and for the BS-1 Volumetric Charges.

4. RESERVED FOR FUTURE USE

5. **Aggregator's/Marketer's Fee.** The monthly fee for the provision of aggregation services by the Company and for access by the Aggregator/Marketer to the Company's Electronic Bulletin Board will be One Hundred Dollars ($100.00) ("Aggregator/Marketer's Fee") per Aggregator/Marketer. In addition, the Company may provide additional services to the Aggregator/Marketer at an agreed upon charge or charges. Such charge or charges shall be included on the invoice for the monthly fee. Such charge or charges may include a charge negotiated by South Jersey and the Aggregator/Marketer, for South Jersey to invoice the customer for the natural gas commodity.

6. **Removal for Cause.** All members of a Customer Group must qualify for service under Rate Schedule of the Seller's Tariff for Gas Service applicable to the Customer Group, and aggregation pursuant to this Agreement will be performed only for Customers within a single Customer Group. If South Jersey determines that a Customer no longer qualifies for service under the Rate Schedule applicable to the appropriate Customer Group, it shall remove that Customer from the Customer Group, and such action shall be Removal for Cause.

Removal for Cause shall also be permitted: (1) if any Customer fails to meet any financial obligation imposed by this Agreement or by the Tariff for Gas Service or violates the terms of any Operational Flow Order issued pursuant to said Tariff for Gas Service; or (2) conducts business with the Seller in a manner which jeopardizes South Jersey's ability to serve customers of equal or higher priority to the Customer under N.J.A.C. 14:29-3.2(a), irrespective of whether N.J.A.C. 14:29-3.2(a) is actually invoked; or (3) pursues any other conduct detrimental to the Company's system integrity.

If Removal for Cause is invoked by the Company, it shall be done upon at least twenty-four hours notice, orally or in writing, which notice shall specify the effective date and reasons for such removal. Removal for cause shall not relieve the Customer of any responsibility or liability incurred before the effective date of the Removal for Cause.

AGGREGATOR/MARKETER'S AGREEMENT (A/M)
(Continued)

7. **Customer Opt Out.** Any member of a Customer Group may elect to opt out of the Customer Group. Notice of such election must be provided to the Company, orally or in writing, on or before the tenth day of the calendar month during which such election shall be effective. The election to opt out of the Customer Group shall be effective until the end of the term of this Agreement. Provided, however, that the election to opt out of the Customer Group shall not relieve the Customer of any responsibility or liability incurred under this Agreement, the Tariff for Gas Service, or otherwise, for periods of time prior to the time that such election became effective.

8. **Provision of Data**. In order for South Jersey to provide gas consumption history and billing data relative to a member of a Customer Group such member must authorize South Jersey to provide to the Aggregator/Marketer, such data upon a form entitled "Authorization to Release Account Information".

9. **Computer Capability.** Aggregator/Marketer agrees that throughout the Term of this Agreement, Aggregator/Marketer will maintain computer capability necessary to access Seller's Electronic Bulletin Board.

10. **Aggregator/Marketer Creditworthiness Standards.** As a condition precedent to this Agreement, the Aggregator/Marketer must meet creditworthiness standards acceptable to the Seller, throughout the Term of this Agreement. In addition, upon the execution of this Agreement, and thereafter, the Company may perform an evaluation of the Customer's creditworthiness. If South Jersey, at any time, deems that Aggregator/Marketer has not met Seller's creditworthiness standards, the Company may require that the Aggregator/Marketer post a cash deposit, letter of credit, performance bond or similar credit facility or other collateral, satisfactory to South Jersey as a condition precedent to this Agreement. In order to assist South Jersey in making its determinations, Aggregator/Marketer agrees to supply such information as the Company will reasonably require to make creditworthiness determinations. Should the Aggregator/Marketer fail to provide such information, Seller may refuse to proceed or continue with this Agreement.

11. **Termination for Conduct of Aggregator/Marketer.** South Jersey may terminate this Agreement if the Aggregator/Marketer engages in certain prohibited conduct ("Prohibited Conduct"). The Prohibited Conduct shall include: (1) the failure to meet any financial obligation imposed by this Agreement, or by the Tariff for Gas Service; (2) the conduct of business with the Seller which jeopardizes South Jersey's ability to serve customers of equal or higher priority to the members of the Customer Group under N.J.A.C. 14:29-3.2(a), irrespective of whether N.J.A.C. 14:29-3.2(a) is actually invoked; (3) the pursuit of any other conduct detrimental to the Company's system integrity; (4) failure of the Aggregator/Marketer to comply with South Jersey's "Transportation Operating Procedures"; or (5) failure to comply with the Company's Tariff for Gas Service.

At least twenty-four hours notice of termination for Prohibited Conduct shall be given by the Company to the Aggregator/Marketer and the Customer Group, orally or in writing. Such notice shall specify the effective date of termination and the Prohibited Conduct which is the basis of termination. Termination for Prohibited Conduct shall not relieve the Aggregator/Marketer or members of the Customer Group of any responsibility or liability incurred prior to the effective date of the termination for Prohibited Conduct.

AGGREGATOR/MARKETER'S AGREEMENT (A/M)
(Continued)

12. **Force Majeure.** In the event of either party being rendered unable wholly or in part, by force majeure to carry out its obligations, other than the obligations to make payment of amounts accrued and due hereunder at the time thereof, it is agreed that on such party's giving notice and full particulars of such force majeure in writing or by e-mail to the other parties within a reasonable time after the occurrence of the cause relied on, the obligations of both parties, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused, but for no longer period. Such cause shall so far as possible be remedied with all reasonable dispatch.

No party shall be liable in damages to the other for any act, omission, or circumstances occasioned by, or in consequence of force majeure, as defined in Company's Tariff for Gas Service, B.P.U.N.J. No. 11 Gas.

Such causes or contingencies affecting the performance by either party, however, shall not relieve it of liability unless such party shall give notice and full particulars of such cause or contingency in writing or by e-mail to the other party as soon as possible after the occurrence relied upon, nor shall such causes or contingencies affecting the performance by either party hereunder relieve it of liability in the event of its failure to use due diligence to remedy the situation, nor shall such causes or contingencies affecting the performance hereunder relieve the Aggregator/Marketer, Customer or Customer Group from their obligations to make payments of amounts then due hereunder in respect of all gas theretofore delivered.

13. **No Agency.** South Jersey will in no respect be deemed to be either the Aggregator's/Marketer's agent or representative nor any Customer's nor the Customer Group's agent or representative, for any purposes, and South Jersey shall not be responsible for making or carrying out any contracts or agreements for or related to this Agreement on behalf of the Aggregator/Marketer, or of a Customer or Customer Group.

14. **Hold Harmless.** Aggregator/Marketer and Customers agree to hold South Jersey harmless and indemnify Seller, its officers and directors, from any cost, disbursement, charge or liability (including attorneys' fees), or any claims, suits, judgments, demands, actions or liability, arising directly or indirectly from Aggregator/Marketer's acts or omissions under this Agreement or from the use of the Company's system by Aggregator/Marketer or a Customer or the Customer Group.

15. **Law to Govern and Forum.** This Agreement shall be interpreted in accordance with the laws of the State of New Jersey. Any dispute arising under this Agreement shall be subject to the jurisdiction of the Superior Courts of the State of New Jersey or federal courts within the State of New Jersey. South Jersey and Aggregator/Marketer agree that the Superior Courts of the State of New Jersey have personal jurisdiction over the parties and subject matter jurisdiction of the Agreement. Moreover, South Jersey and Aggregator/Marketer agree that as to actions in the Superior Court, venue is appropriate in Atlantic County New Jersey.

AGGREGATOR/MARKETER'S AGREEMENT (A/M)
(Continued)

16. **Binding Effect.** This Agreement shall be binding upon the parties hereto, and their agents, successors and assigns.

17. **No Modification.** This Agreement supersedes and cancels any other agreement dealing with the same subject matter. This Agreement may not be modified, altered, or amended except by a written agreement, signed by the parties hereto.

18. **No Assignment.** This Agreement shall not be assigned or be assignable by the Aggregator/Marketer or a Customer or Customers without the consent in writing of the Company first obtained.

19. **Marketer Standards.** Notwithstanding any other requirements of this Aggregator/Marketer's Agreement, in order to operate as a Aggregator/Marketer on the Company's system, an Aggregator/Marketer must comply with all Board approved Marketer Standards.

SOUTH JERSEY GAS COMPANY

ATTEST:

_______________________________ By: _______________________________
(Name)

____
(Title)

ATTEST:

(NAME OF AGGREGATOR/MARKETER)

_______________________________ By: _______________________________
(Name)

____
(Title)

AGGREGATOR/MARKETER'S AGREEMENT (A/M)
(Continued)

APPENDIX A

This Appendix A is incorporated in and made part of that certain Agreement dated _______________ , Agreement No._____________ , to which it is appended, and the same Agreement is incorporated into this Appendix A and made a part of this Appendix A. This Appendix A is dated_____________________________ .

(Name of Customer)	(Customer Account Number)
(Name of Customer)	(Customer Account Number)
(Name of Customer)	(Customer Account Number)
(Name of Customer)	(Customer Account Number)
(Name of Customer)	(Customer Account Number)
(Name of Customer)	(Customer Account Number)
(Name of Customer)	(Customer Account Number)

SOUTH JERSEY GAS COMPANY
Schedule of Rate Components
Appendix A - Effective January 1, 2017

RESIDENTIAL GAS SERVICE (RSG)

RESIDENTIAL FIRM TRANS SERV (RSG FTS) - HEAT CUSTOMER	BASE RATE	BGSS	OTHER RIDERS	PUA	NJ SALES TAX	TARIFF RATE
Customer Charge	**9.000000**				**0.618800**	**9.618800**
CIP			**0.068086**	**0.000150**	**0.004691**	**0.072927**
Delivery Charge:						
COST OF SERVICE	0.547317				0.037628	0.584945
TIC			(0.000942)	(0.000002)	(0.000065)	(0.001009)
SBC:						
CLEP			0.011879	0.000026	0.000818	0.012723
RAC			0.009781	0.000022	0.000674	0.010477
USF			0.011900	0.000000	0.000800	0.012700
Total SBC			0.033560	0.000048	0.002292	0.035900
TAC			0.000000	0.000000	0.000000	0.000000
EET			0.004268	0.000009	0.000294	0.004571
BSC "J" BS-1		0.047100		0.000100	0.003200	0.050400
BSC "J" BUY-OUT PRICE - Rate set monthly						
Total	**0.547317**	**0.047100**	**0.036886**	**0.000155**	**0.043349**	**0.674807**

RESIDENTIAL FIRM SALES SERV (RSG FSS) - HEAT CUSTOMER	BASE RATE	BGSS	OTHER RIDERS	PUA	NJ SALES TAX	TARIFF RATE
Customer Charge	**9.000000**				**0.618800**	**9.618800**
Basic Gas Supply Service (BGSS):		**0.330770**		**0.000728**	**0.022790**	**0.354288**
CIP			**0.068086**	**0.000150**	**0.004691**	**0.072927**
Delivery Charge:						
COST OF SERVICE	0.547317				0.037628	0.584945
TIC			(0.000942)	(0.000002)	(0.000065)	(0.001009)
SBC:						
CLEP			0.011879	0.000026	0.000818	0.012723
RAC			0.009781	0.000022	0.000674	0.010477
USF			0.011900	0.000000	0.000800	0.012700
Total SBC			0.033560	0.000048	0.002292	0.035900
TAC			0.000000	0.000000	0.000000	0.000000
EET			0.004268	0.000009	0.000294	0.004571
BSC "J" BS-1		0.047100		0.000100	0.003200	0.050400
Total	**0.547317**	**0.047100**	**0.036886**	**0.000155**	**0.043349**	**0.674807**

SOUTH JERSEY GAS COMPANY
Schedule of Rate Components
Appendix A - Effective January 1, 2017

RESIDENTIAL FIRM TRANS SERV (RSG FTS) - NONHEAT CUSTOMER	BASE RATE	BGSS	OTHER RIDERS	PUA	NJ SALES TAX	TARIFF RATE
Customer Charge	**9.000000**				**0.618800**	**9.618800**
CIP			**0.024831**	**0.000055**	**0.001711**	**0.026597**
Delivery Charge:						
COST OF SERVICE	0.547317				0.037628	0.584945
TIC			(0.000942)	(0.000002)	(0.000065)	(0.001009)
SBC:						
CLEP			0.011879	0.000026	0.000818	0.012723
RAC			0.009781	0.000022	0.000674	0.010477
USF			0.011900	0.000000	0.000800	0.012700
Total SBC			0.033560	0.000048	0.002292	0.035900
TAC			0.000000	0.000000	0.000000	0.000000
EET			0.004268	0.000009	0.000294	0.004571
BSC "J" BS-1		0.047100		0.000100	0.003200	0.050400
BSC "J" BUY-OUT PRICE - Rate set monthly						
Total	**0.547317**	**0.047100**	**0.036886**	**0.000155**	**0.043349**	**0.674807**

RESIDENTIAL FIRM SALES SERV (RSG FSS) - NONHEAT CUSTOMER	BASE RATE	BGSS	OTHER RIDERS	PUA	NJ SALES TAX	TARIFF RATE
Customer Charge	**9.000000**				**0.618800**	**9.618800**
Basic Gas Supply Service (BGSS):		**0.330770**		**0.000728**	**0.022790**	**0.354288**
CIP			**0.024831**	**0.000055**	**0.001711**	**0.026597**
Delivery Charge:						
COST OF SERVICE	0.547317				0.037628	0.584945
TIC			(0.000942)	(0.000002)	(0.000065)	(0.001009)
SBC:						
CLEP			0.011879	0.000026	0.000818	0.012723
RAC			0.009781	0.000022	0.000674	0.010477
USF			0.011900	0.000000	0.000800	0.012700
Total SBC			0.033560	0.000048	0.002292	0.035900
TAC			0.000000	0.000000	0.000000	0.000000
EET			0.004268	0.000009	0.000294	0.004571
BSC "J" BS-1		0.047100		0.000100	0.003200	0.050400
Total	**0.547317**	**0.047100**	**0.036886**	**0.000155**	**0.043349**	**0.674807**

GENERAL SERVICE (GSG)

GENERAL SERVICE FIRM TRANS (GSG FTS)	BASE RATE	BGSS	OTHER RIDERS	PUA	NJ SALES TAX	TARIFF RATE
Customer Charge	**27.250000**				**1.873400**	**29.123400**
CIP			**0.054396**	**0.000120**	**0.003748**	**0.058264**
Delivery Charge:						
COST OF SERVICE	0.435411				0.029935	0.465346
TIC			(0.000942)	(0.000002)	(0.000065)	(0.001009)
SBC:						
CLEP			0.011879	0.000026	0.000818	0.012723
RAC			0.009781	0.000022	0.000674	0.010477
USF			0.011900	0.000000	0.000800	0.012700
Total SBC			0.033560	0.000048	0.002292	0.035900
TAC			0.000000	0.000000	0.000000	0.000000
EET			0.004268	0.000009	0.000294	0.004571
BSC "J" BS-1		0.047100		0.000100	0.003200	0.050400
BSC "J" BUY-OUT PRICE - Rate set monthly						
Total	**0.435411**	**0.047100**	**0.036886**	**0.000155**	**0.035656**	**0.555208**

SOUTH JERSEY GAS COMPANY
Schedule of Rate Components
Appendix A - Effective January 1, 2017

GENERAL SERVICE FIRM SALES (GSG FSS) - Less than 5,000 Therms Annually	BASE RATE	BGSS	OTHER RIDERS	PUA	NJ SALES TAX	TARIFF RATE
Customer Charge	**27.250000**				**1.873400**	**29.123400**
CIP			**0.054396**	**0.000120**	**0.003748**	**0.058264**
Basic Gas Supply Service (BGSS):		**0.330770**		**0.000728**	**0.022790**	**0.354288**
Delivery Charge:						
COST OF SERVICE	0.435411				0.029935	0.465346
TIC			(0.000942)	(0.000002)	(0.000065)	(0.001009)
SBC:						
CLEP			0.011879	0.000026	0.000818	0.012723
RAC			0.009781	0.000022	0.000674	0.010477
USF			0.011900	0.000000	0.000800	0.012700
Total SBC			0.033560	0.000048	0.002292	0.035900
TAC			0.000000	0.000000	0.000000	0.000000
EET			0.004268	0.000009	0.000294	0.004571
BSC "J" BS-1		0.047100		0.000100	0.003200	0.050400
Total	**0.435411**	**0.047100**	**0.036886**	**0.000155**	**0.035656**	**0.555208**

GENERAL SERVICE FIRM SALES (GSG FSS) - 5,000 Therms Annually or Greater	BASE RATE	BGSS	OTHER RIDERS	PUA	NJ SALES TAX	TARIFF RATE
Customer Charge	**27.250000**				**1.873400**	**29.123400**
Basic Gas Supply Service (BGSS):						**RATE SET MONTHLY**
CIP			**0.054396**	**0.000120**	**0.003748**	**0.058264**
Delivery Charge:						
COST OF SERVICE	0.435411				0.029935	0.465346
TIC			(0.000942)	(0.000002)	(0.000065)	(0.001009)
SBC:						
CLEP			0.011879	0.000026	0.000818	0.012723
RAC			0.009781	0.000022	0.000674	0.010477
USF			0.011900	0.000000	0.000800	0.012700
Total SBC			0.033560	0.000048	0.002292	0.035900
TAC			0.000000	0.000000	0.000000	0.000000
EET			0.004268	0.000009	0.000294	0.004571
BSC "J" BS-1		0.047100		0.000100	0.003200	0.050400
Total	**0.435411**	**0.047100**	**0.036886**	**0.000155**	**0.035656**	**0.555208**

SOUTH JERSEY GAS COMPANY
Schedule of Rate Components
Appendix A - Effective January 1, 2017

GENERAL SERVICE-LV (GSG-LV)

GENERAL SERVICE - LV FTS (GSG-LV-FT)	BASE RATE	BGSS	OTHER RIDERS	PUA	NJ SALES TAX	TARIFF RATE
Customer Charge	**150.000000**				**10.312500**	**160.312500**
D-1 Demand Charge	**9.000000**				**0.618800**	**9.618800**
CIP			**0.016484**	**0.000036**	**0.001136**	**0.017656**
Delivery Charge:						
COST OF SERVICE	0.238429				0.016392	0.254821
TIC			(0.000942)	(0.000002)	(0.000065)	(0.001009)
SBC:						
CLEP			0.011879	0.000026	0.000818	0.012723
RAC			0.009781	0.000022	0.000674	0.010477
USF			0.011900	0.000000	0.000800	0.012700
Total SBC			0.033560	0.000048	0.002292	0.035900
TAC			0.000000	0.000000	0.000000	0.000000
EET			0.004268	0.000009	0.000294	0.004571
BSC "J" BS-1		0.047100		0.000100	0.003200	0.050400
BSC "J" BUY-OUT PRICE - Rate set monthly						
Total	**0.238429**	**0.047100**	**0.036886**	**0.000155**	**0.022113**	**0.344683**

GENERAL SERVICE FIRM SALES- LV (GSG-LV FSS)	BASE RATE	BGSS	OTHER RIDERS	PUA	NJ SALES TAX	TARIFF RATE
Customer Charge	**150.000000**				**10.312500**	**160.312500**
D-1 Demand Charge	**9.000000**				**0.618800**	**9.618800**
Basic Gas Supply Service (BGSS):						**RATE SET MONTHLY**
CIP			**0.016484**	**0.000036**	**0.001136**	**0.017656**
Delivery Charge:						
COST OF SERVICE	0.238429				0.016392	0.254821
TIC			(0.000942)	(0.000002)	(0.000065)	(0.001009)
SBC:						
CLEP			0.011879	0.000026	0.000818	0.012723
RAC			0.009781	0.000022	0.000674	0.010477
USF			0.011900	0.000000	0.000800	0.012700
Total SBC			0.033560	0.000048	0.002292	0.035900
TAC			0.000000	0.000000	0.000000	0.000000
EET			0.004268	0.000009	0.000294	0.004571
BSC "J" BS-1		0.047100		0.000100	0.003200	0.050400
Total	**0.238429**	**0.047100**	**0.036886**	**0.000155**	**0.022113**	**0.344683**

COMPREHENSIVE TRANSPORTATION SERVICE (CTS)

COMPREHENSIVE FIRM TRANS SERV (CTS FTS)	BASE RATE	BGSS	OTHER RIDERS	PUA	NJ SALES TAX	TARIFF RATE
Firm						
Customer Charge	**600.000000**				**41.250000**	**641.250000**
Delivery Charge:						
D-1 DEMAND CHARGE	**27.421300**				**1.885200**	**29.306500**
C-1 FT VOLUMETRIC CHARGE:						
C-1 COST OF SERVICE	0.047608				0.003273	0.050881
SBC:						
CLEP			0.011879	0.000026	0.000818	0.012723
RAC			0.009781	0.000022	0.000674	0.010477
USF			0.011900	0.000000	0.000800	0.012700
Total SBC			0.033560	0.000048	0.002292	0.035900
EET			0.004268	0.000009	0.000294	0.004571
Total C-1 VOLUMETRIC CHARGE	**0.047608**		**0.037828**	**0.000057**	**0.005859**	**0.091352**
BS-1 ALL THERMS		0.011800		0.000000	0.000800	0.012600
BS-1 (Opt Out Provision) ALL THERMS		0.002500		0.000000	0.000200	0.002700
BUY-OUT PRICE						RATE SET MONTHLY
Limited Firm						
Customer Charge	**100.000000**				**6.875000**	**106.875000**
Delivery Charge:						
C-1 FT VOLUMETRIC CHARGE:						
C-1 COST OF SERVICE	0.058400				0.004000	0.062400
SBC:						
CLEP			0.011879	0.000026	0.000818	0.012723
RAC			0.009781	0.000022	0.000674	0.010477
USF			0.011900	0.000000	0.000800	0.012700
Total SBC			0.033560	0.000048	0.002292	0.035900
EET			0.004268	0.000009	0.000294	0.004571
Total C-1 VOLUMETRIC CHARGE	**0.058400**		**0.037828**	**0.000057**	**0.006586**	**0.102871**
BS-1 ALL THERMS		0.011800		0.000000	0.000800	0.012600
BS-1 (Opt Out Provision) ALL THERMS		0.002500		0.000000	0.000200	0.002700
BUY-OUT PRICE						RATE SET MONTHLY

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LARGE VOLUME SERVICE (LVS)

LARGE VOLUME FIRM TRANS SERV (LVS FTS)	BASE RATE	BGSS	OTHER RIDERS	PUA	NJ SALES TAX	TARIFF RATE
Firm						
Customer Charge	**900.000000**				**61.875000**	**961.875000**
Delivery Charge:						
D-1 DEMAND CHARGE	**14.884200**				**1.023300**	**15.907500**
C-1 VOLUMETRIC CHARGE:						
C-1 COST OF SERVICE	0.040282				0.002769	0.043051
SBC:						
CLEP			0.011879	0.000026	0.000818	0.012723
RAC			0.009781	0.000022	0.000674	0.010477
USF			0.011900	0.000000	0.000800	0.012700
Total SBC			0.033560	0.000048	0.002292	0.035900
EET			0.004268	0.000009	0.000294	0.004571
Total C-1 VOLUMETRIC CHARGE	**0.040282**		**0.037828**	**0.000057**	**0.005355**	**0.083522**
BS-1 ALL THERMS		0.011800		0.000000	0.000800	0.012600
BS-1 (Opt Out Provision) ALL THERMS		0.002500		0.000000	0.000200	0.002700
BSC "I" CASH OUT CHARGE/(CREDIT)						RATE SET MONTHLY
Limited Firm						
Customer Charge	**100.000000**				**6.875000**	**106.875000**
Delivery Charge:						
C-1 FT VOLUMETRIC CHARGE:						
C-1 COST OF SERVICE	0.094600				0.006500	0.101100
SBC:						
CLEP			0.011879	0.000026	0.000818	0.012723
RAC			0.009781	0.000022	0.000674	0.010477
USF			0.011900	0.000000	0.000800	0.012700
Total SBC			0.033560	0.000048	0.002292	0.035900
EET			0.004268	0.000009	0.000294	0.004571
Total C-1 VOLUMETRIC CHARGE	**0.094600**		**0.037828**	**0.000057**	**0.009086**	**0.141571**
BS-1 ALL THERMS		0.011800		0.000000	0.000800	0.012600
BS-1 (Opt Out Provision) ALL THERMS		0.002500		0.000000	0.000200	0.002700
BUY-OUT PRICE						RATE SET MONTHLY

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LARGE VOLUME FIRM SALES SERV (LVS FSS)	BASE RATE	BGSS	OTHER RIDERS	PUA	NJ SALES TAX	TARIFF RATE
Customer Charge	**900.000000**				**61.875000**	**961.875000**
Basic Gas Supply Service (BGSS):						
C-2 BGSS						RATE SET MONTHLY
D-2 DEMAND CHARGE		**14.882120**		**0.032741**	**1.025397**	**15.940257**
Delivery Charge:						
D-1 DEMAND CHARGE	**14.884200**				**1.023300**	**15.907500**
C-1 VOLUMETRIC CHARGE:						
C-1 COST OF SERVICE	0.040282				0.002769	0.043051
SBC:						
CLEP			0.011879	0.000026	0.000818	0.012723
RAC			0.009781	0.000022	0.000674	0.010477
USF			0.011900	0.000000	0.000800	0.012700
Total SBC			0.033560	0.000048	0.002292	0.035900
EET			0.004268	0.000009	0.000294	0.004571
Total C-1 VOLUMETRIC CHARGE	**0.040282**	**0.000000**	**0.037828**	**0.000057**	**0.005355**	**0.083522**
BS-1 ALL THERMS		0.011800		0.000000	0.000800	0.012600
Limited Firm						
Customer Charge	**100.000000**				**6.875000**	**106.875000**
Delivery Charge:						
C-1 FT VOLUMETRIC CHARGE:						
C-1 COST OF SERVICE	0.094600				0.006500	0.101100
SBC:						
CLEP			0.011879	0.000026	0.000818	0.012723
RAC			0.009781	0.000022	0.000674	0.010477
USF			0.011900	0.000000	0.000800	0.012700
Total SBC			0.033560	0.000048	0.002292	0.035900
EET			0.004268	0.000009	0.000294	0.004571
Total C-1 VOLUMETRIC CHARGE	**0.0946**	**0.000000**	**0.037828**	**0.000057**	**0.009086**	**0.141571**
BS-1 ALL THERMS		0.011800		0.000000	0.000800	0.012600
BS-1 (Opt Out Provision) ALL THERMS		0.002500		0.000000	0.000200	0.002700
BUY-OUT PRICE						RATE SET MONTHLY

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	BASE RATE	BGSS	OTHER RIDERS	PUA	NJ SALES TAX	TARIFF RATE
ELECTRIC GENERATION SERVICE (EGS)						
Commercial/Industrial						
Customer Charge	**25.000000**				**1.718800**	**26.718800**
D-1 DEMAND	**6.500000**				**0.446900**	**6.946900**
Basic Gas Supply Service (BGSS):						RATE SET MONTHLY
Delivery Charge - Winter Season (Nov - Mar)						
COST OF SERVICE	0.125294				0.008614	0.133908
SBC:						
CLEP			0.011879	0.000026	0.000818	0.012723
RAC			0.009781	0.000022	0.000674	0.010477
USF			0.011900	0.000000	0.000800	0.012700
Total SBC			0.033560	0.000048	0.002292	0.035900
Balancing Charge BSC"J" BS-1		0.047100		0.000100	0.003200	0.050400
EET			0.004268	0.000009	0.000294	0.004571
Total C-1 VOLUMETRIC CHARGE (FSS & FTS)	**0.125294**	**0.047100**	**0.037828**	**0.000157**	**0.014400**	**0.224779**
Delivery Charge - Summer Season (Apr - Oct)						
COST OF SERVICE	0.095294				0.006551	0.101845
SBC:						
CLEP			0.011879	0.000026	0.000818	0.012723
RAC			0.009781	0.000022	0.000674	0.010477
USF			0.011900	0.000000	0.000800	0.012700
Total SBC			0.033560	0.000048	0.002292	0.035900
EET			0.004268	0.000009	0.000294	0.004571
Balancing Charge BSC"J" BS-1		0.047100		0.000100	0.003200	0.050400
Total C-1 VOLUMETRIC CHARGE (FSS & FTS)	**0.095294**	**0.047100**	**0.037828**	**0.000157**	**0.012337**	**0.192716**

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	BASE RATE	BGSS	OTHER RIDERS	PUA	NJ SALES TAX	TARIFF RATE
ELECTRIC GENERATION SERVICE (EGS)						
Residential						
Customer Charge	**9.000000**				**0.618800**	**9.618800**
Basic Gas Supply Service (BGSS):		0.330770		0.000728	0.022790	0.354288
Delivery Charge						
COST OF SERVICE	0.122100				0.008400	0.130500
SBC:						
CLEP			0.011879	0.000026	0.000818	0.012723
RAC			0.009781	0.000022	0.000674	0.010477
USF			0.011900	0.000000	0.000800	0.012700
Total SBC			0.033560	0.000048	0.002292	0.035900
EET			0.004268	0.000009	0.000294	0.004571
Balancing Charge BSC"J" BS-1		0.047100		0.000100	0.003200	0.050400
Total C-1 VOLUMETRIC CHARGE (FSS & FTS)	**0.122100**	**0.047100**	**0.037828**	**0.000157**	**0.014186**	**0.221371**

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ELECTRIC GENERATION SERVICE-LV (EGS-LV)	BASE RATE	BGSS	OTHER RIDERS	PUA	NJ SALES TAX	TARIFF RATE
Firm						
Customer Charge	**180.000000**				**12.375000**	**192.375000**
D-1 DEMAND (Rate is negotiated. Shown here is the benchmark rate.)	**20.710978**				**1.423880**	**22.134858**
D-2 DEMAND BGSS(applicable to Sales Customers Only)		**14.530362**		**0.031967**	**1.001160**	**15.563489**
C-1 CLEP			0.011879	0.000026	0.000818	0.012723
C-1 RAC			0.009781	0.000022	0.000674	0.010477
C-1 USF			0.011900	0.000000	0.000800	0.012700
EET			0.004268	0.000009	0.000294	0.004571
Total C-1 VOLUMETRIC CHARGE			**0.037828**	**0.000057**	**0.002586**	**0.040471**
C-2 BGSS						RATE SET MONTHLY
BSC "I" CASH OUT CHARGE (CREDIT)						RATE SET MONTHLY
BS-1 ALL THERMS		0.011800		0.000000	0.000800	0.012600
BS-1 (Opt Out Provision) ALL THERMS		0.002500		0.000000	0.000200	0.002700
Limited Firm						
D-2 DEMAND BGSS(applicable to Sales Customers Only)		**7.441060**		**0.016370**	**0.512698**	**7.970128**
C-1 CLEP			0.011879	0.000026	0.000818	0.012723
C-1 RAC			0.009781	0.000022	0.000674	0.010477
C-1 USF			0.011900	0.000000	0.000800	0.012700
EET			0.004268	0.000009	0.000294	0.004571
Total C-1 VOLUMETRIC CHARGE			**0.037828**	**0.000057**	**0.002586**	**0.040471**
C-3 All Therms (Rate is negotiated. Shown here is the benchmark rate.)	**0.162900**				**0.011200**	**0.174100**
C-2 BGSS						RATE SET MONTHLY
BSC "I" CASH OUT CHARGE (CREDIT)						RATE SET MONTHLY
BS-1 ALL THERMS		0.011800		0.000000	0.000800	0.012600
BS-1 (Opt Out Provision) ALL THERMS		0.002500		0.000000	0.000200	0.002700

FIRM ELECTRIC SALES (FES)	**BASE RATE**	**BGSS**	**RIDERS**	**PUA**	**NJ SALES TAX**	**TARIFF RATE**
Winter						
D-1 DEMAND (Rate is negotiated. Shown here is the benchmark rate.)	**2.897200**				**0.199200**	**3.096400**
D-2 DEMAND BGSS(applicable to Sales Customers Only)		**7.441060**		**0.016370**	**0.512698**	**7.970128**
C-1 CLEP			0.011879	0.000026	0.000818	0.012723
C-1 RAC			0.009781	0.000022	0.000674	0.010477
C-1 USF			0.011900	0.000000	0.000800	0.012700
EET			0.004268	0.000009	0.000294	0.004571
Total C-1 VOLUMETRIC CHARGE			**0.037828**	**0.000057**	**0.002586**	**0.040471**
C-3 All Therms (Rate is negotiated. Shown here is the benchmark rate.)	**0.162900**				**0.011200**	**0.174100**
C-4 Escalator Rate (To be determined as prescribed in the Company's Tariff)						RATE SET MONTHLY
C-2 BGSS/COGC						RATE SET MONTHLY
BSC "I" CASH OUT CHARGE (CREDIT)						RATE SET MONTHLY
Summer						
D-1 DEMAND (Rate is negotiated. Shown here is the benchmark rate.)	**2.897200**				**0.199200**	**3.096400**
D-2 DEMAND BGSS(applicable to Sales Customers Only)		**7.441060**		**0.016370**	**0.512698**	**7.970128**
C-1 CLEP			0.011879	0.000026	0.000818	0.012723
C-1 RAC			0.009781	0.000022	0.000674	0.010477
C-1 USF			0.011900	0.000000	0.000800	0.012700
EET			0.004268	0.000009	0.000294	0.004571
Total C-1 VOLUMETRIC CHARGE			**0.037828**	**0.000057**	**0.002586**	**0.040471**
C-3 All Therms (Rate is negotiated. Shown here is the benchmark rate.)	**0.162900**				**0.011200**	**0.174100**
C-4 Escalator Rate (To be determined as prescribed in the Company's Tariff)						RATE SET MONTHLY
C-2 BGSS/COGC						RATE SET MONTHLY
BSC "I" CASH OUT CHARGE (CREDIT)						RATE SET MONTHLY

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NATURAL GAS VEHICLE (NGV)	BASE RATE	BGSS	RIDERS	PUA	NJ SALES TAX	TARIFF RATE
Company Operated Fueling Stations						
C-1 CLEP			0.011879	0.000026	0.000818	0.012723
C-1 RAC			0.009781	0.000022	0.000674	0.010477
C-1 USF			0.011900	0.000000	0.000800	0.012700
EET			0.004268	0.000009	0.000294	0.004571
Total C-1 VOLUMETRIC CHARGE	**0.000000**		**0.037828**	**0.000057**	**0.002586**	**0.040471**
Distribution Charge:	0.164072			0.000361	0.011305	0.175738
Compression Charge	0.542769			0.001194	0.037397	0.581360
Basic Gas Supply Service (BGSS):						RATE SET MONTHLY
Rider "I" - BS-1 ALL THERMS		0.011800		0.000000	0.000800	0.012600
Rider "I" - BS-1 (Opt Out Provision) ALL THERMS		0.002500		0.000000	0.000200	0.002700
Rider "J" - BS-1		0.047100		0.000100	0.003200	0.050400
Customer Operated Fueling Stations						
Service Charge						
0 - 999 CF/hour	37.500000				2.578100	40.078100
1,000 - 4,999 CF/hour	75.000000				5.156300	80.156300
5,000 - 24,999 CF/hour	200.000000				13.750000	213.750000
25,000 or Greater CF/hour	600.000000				41.250000	641.250000
C-1 CLEP			0.011879	0.000026	0.000818	0.012723
C-1 RAC			0.009781	0.000022	0.000674	0.010477
C-1 USF			0.011900	0.000000	0.000800	0.012700
EET			0.004268	0.000009	0.000294	0.004571
Total C-1 VOLUMETRIC CHARGE			**0.037828**	**0.000057**	**0.002586**	**0.040471**
Distribution Charge:	0.164072			0.000361	0.011305	0.175738
Basic Gas Supply Service: (applicable Sales Customers only)						RATE SET MONTHLY
Rider "I" - BS-1 ALL THERMS		0.011800		0.000000	0.000800	0.012600
Rider "I" - BS-1 (Opt Out Provision) ALL THERMS		0.002500		0.000000	0.000200	0.002700
Rider "J" - BS-1		0.047100		0.000100	0.003200	0.050400

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INTERRUPTIBLE SERVICE, YARD & STREET LIGHTING

	BASE RATE	BGSS	OTHER RIDERS	PUA	NJ SALES TAX	TARIFF RATE
INTERRUPTIBLE TRANSPORTATION (ITS)						
SERVICE CHARGE	**100.000000**				**6.875000**	**106.875000**
TRANS CHARGE A	**0.028400**				**0.002000**	**0.030400**
SBC:						
CLEP			0.011879	0.000026	0.000818	0.012723
RAC			0.009781	0.000022	0.000674	0.010477
USF			0.011900	0.000000	0.000800	0.012700
Total SBC:			0.033560	0.000048	0.002292	0.035900
EET			0.004268	0.000009	0.000294	0.004571
TRANS CHARGE B	**0.093200**				**0.006400**	**0.099600**
SBC:						
CLEP			0.011879	0.000026	0.000818	0.012723
RAC			0.009781	0.000022	0.000674	0.010477
USF			0.011900	0.000000	0.000800	0.012700
Total SBC:			0.033560	0.000048	0.002292	0.035900
EET			0.004268	0.000009	0.000294	0.004571
TRANS CHARGE C	**0.153200**				**0.010500**	**0.163700**
SBC:						
CLEP			0.011879	0.000026	0.000818	0.012723
RAC			0.009781	0.000022	0.000674	0.010477
USF			0.011900	0.000000	0.000800	0.012700
Total SBC:			0.033560	0.000048	0.002292	0.035900
EET			0.004268	0.000009	0.000294	0.004571

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INTERRUPTIBLE GAS SALES (IGS)	BASE RATE	BGSS	OTHER RIDERS	PUA	NJ SALES TAX	TARIFF RATE
Commodity						Rate Set Monthly
SBC:						
RAC			0.009781	0.000022	0.000674	0.010477
USF			0.011900	0.000000	0.000800	0.012700
Total SBC:			0.021681	0.000022	0.001474	0.023177
EET			0.004268	0.000009	0.000294	0.004571
YARD LIGHTING SERVICE (YLS)						
MONTHLY CHARGE / INSTALL	7.723363	4.636800			0.849761	13.209924
STREET LIGHTING SERVICE (SLS)						
MONTHLY CHARGE / INSTALL	8.325900	6.955200			1.050576	16.331676

Heat Residential Rate Schedule:

	RSG FSS	*RSG-FTS*	*Difference*
BGSS	0.354288	0.000000	0.354288
Cost of Service	0.584945	0.584945	0.000000
CLEP	0.012723	0.012723	0.000000
RAC	0.010477	0.010477	0.000000
TAC	0.000000	0.000000	0.000000
CIP	0.072927	0.072927	0.000000
USF	0.012700	0.012700	0.000000
TIC	(0.001009)	(0.001009)	0.000000
EET	0.004571	0.004571	0.000000
BSC "J" BS-1	0.050400	0.050400	0.000000
Price to Compare	1.102022	0.747734	0.354288

NonHeat Residential Rate Schedule:

	RSG FSS	*RSG-FTS*	*Difference*
BGSS	0.354288	0.000000	0.354288
CIP	0.026597	0.026597	0.000000
Cost of Service	0.584945	0.584945	0.000000
CLEP	0.012723	0.012723	0.000000
RAC	0.010477	0.010477	0.000000
TAC	0.000000	0.000000	0.000000
USF	0.012700	0.012700	0.000000
TIC	(0.001009)	(0.001009)	0.000000
EET	0.004571	0.004571	0.000000
BSC "J" BS-1	0.050400	0.050400	0.000000
Price to Compare	1.055692	0.701404	0.354288

GSG
(Under 5,000 therms annually)

	GSG FSS	*GSG-FTS*	*Difference*
BGSS	0.354288	0.000000	0.354288
CIP	0.058264	0.058264	0.000000
Cost of Service	0.465346	0.465346	0.000000
CLEP	0.012723	0.012723	0.000000
RAC	0.010477	0.010477	0.000000
TAC	0.000000	0.000000	0.000000
USF	0.012700	0.012700	0.000000
TIC	(0.001009)	(0.001009)	0.000000
EET	0.004571	0.004571	0.000000
BSC "J" BS-1	0.050400	0.050400	0.000000
Price to Compare	0.967760	0.613472	0.354288

GSG
(5,000 therms annually or greater)

	GSG FSS	*GSG-FTS*	*Difference*
BGSS	0.595157	0.000000	0.595157
CIP	0.058264	0.058264	0.000000
Cost of Service	0.465346	0.465346	0.000000
CLEP	0.012723	0.012723	0.000000
RAC	0.010477	0.010477	0.000000
TAC	0.000000	0.000000	0.000000
USF	0.012700	0.012700	0.000000
TIC	(0.001009)	(0.001009)	0.000000
EET	0.004571	0.004571	0.000000
BSC "J" BS-1	0.050400	0.050400	0.000000
Price to Compare	1.208629	0.613472	0.595157

GSG-LV

	Prior to 7/15/97		
	GSG-LV FSS	*GSG-LV-FTS*	*Difference*
BGSS	0.595157	0.000000	0.595157
CIP	0.017656	0.017656	0.000000
Cost of Service	0.254821	0.254821	0.000000
CLEP	0.012723	0.012723	0.000000
RAC	0.010477	0.010477	0.000000
TAC	0.000000	0.000000	0.000000
USF	0.012700	0.012700	0.000000
TIC	(0.001009)	(0.001009)	0.000000
EET	0.004571	0.004571	0.000000
BSC "J" BS-1	0.050400	0.050400	0.000000
Price to Compare	0.957496	0.362339	0.595157

APPLIANCE REPAIR SERVICE (ARS)

APPLICABLE TO USE OF SERVICE FOR:

Service pursuant to this Rate Schedule ARS, shall be available to all persons or other entities.

CHARACTER OF SERVICE:

Repair and servicing of appliances.

FLOOR RATES:

Competitive Services:

Standard Rates:	$85.36 per hour (minimum charge - $28.45)
Non-Standard Rates:	$128.04 per hour (minimum charge - $42.68)

Non-Competitive Services:

Standard Rates:	$83.00 per hour (minimum charge - $28.00)
Non-Standard Rates:	$124.50 per hour (minimum charge - $42.00)

PRICES:

Competitive Services:

Standard Rates:	$124.95 per hour (minimum charge - $59.00)
Non-Standard Rates:	$187.43 per hour (minimum charge - $88.50)

Non-Competitive Services:

Standard Rates:	$83.00 per hour (minimum charge - $28.00)
Non-Standard Rates:	$124.50 per hour (minimum charge - $42.00)

SALES AND USE TAX:

All charges pursuant to this Rate Schedule ARS shall be adjusted to reflect appropriate New Jersey Sales and Use Taxes.

FREE SERVICES:

Upon a customer's request, the Company will provide, without charge, certain services designated as Free Services, as set forth in Special Provision (d).

TERMS OF PAYMENT:

Payment of all bills must be received in full at the Company's designated office within fifteen (15) days of the billing date; provided, however, the Company shall take into account any postal service delays of which the Company is advised. If the fifteenth (15th) day falls on a nonbusiness day, the due date shall be extended to the next business day. Should the customer fail to make payment as specified, the Company

APPLIANCE REPAIR SERVICE (ARS)
(continued)

may, beginning on the twenty-sixth (26th) day, assess simple interest at a rate equal to the prime rate as published in the Money Rates column in The Wall Street Journal. Service to State, county or municipal government entities will not be subject to a late payment charge.

LIMITS OF COVERAGE:

All equipment must be manufactured, installed and maintained in accordance with the National Fuel Gas Code; certified by the American Gas Association, the Underwriters Laboratories or similar natural gas industry trade organizations; installed in accordance with local, state, and federal law; and satisfy both manufacturer's and the Company's requirements for safe and proper installation. Our response time shall be determined by scheduling priorities that consider public safety, health and welfare, existing work loads, nature or science, and prevailing weather conditions.

SPECIAL PROVISIONS:

(a) The Non-Standard Rates will be charged on weekends, holidays and other than normal working hours (8:00 a.m. to 4:30 p.m.). The Standard Rates will be charged at all other times.

(b) The following list shall constitute Competitive Services

Repair of Hot Water Heater
Repair of House Heater

(c) The following list shall constitute Non-Competitive Services:

Changed Location of Facilities
Changed Location of Meter
Changed Location of Service
Installed Remote Meter Device

(d) The following list shall constitute Free Services:

1. Investigate appliance flashbacks.
2. Inspecting new appliance and/or installation.
3. Meter changes.
4. Advisory service to assure safe operation of gas appliances.
5. Turning on or turning off gas heaters when work is performed in conjunction with meter set orders, turn on order or turn off orders.
6. Instructing customers in the proper use, operation and maintenance of appliances. Instructing heating customers in the procedure of turning on house heater.
7. Any call made to place an appliance in a safe condition. A safe condition will result if a valve is shut off and/or the appliance is disconnected.
8. Investigating gas leaks and odors.
9. Meter turn offs.
10. New equipment startup.

APPLIANCE REPAIR SERVICE (ARS)
(continued)

11. Preliminary investigation for appliance installation.
12. Reported no gas or poor pressure.
13. Gas leak repairs at meter and upstream piping.
14. A service order which is canceled before the service person arrives or if it is canceled by the Company.
15. Carbon monoxide services.
16. Pilot light up services from November 1 through August 31 of each year.

(e) The Company may not charge less than the Floor Rates set forth in the Floor Rates section of this Rate Schedule ARS, plus New Jersey Sales and Use Taxes.

(f) The charges set forth in this Rate Schedule ARS are for labor only, and not for appliance repair parts. Repair parts associated with services under this Rate Schedule ARS shall not be priced below cost to the Company.

Direct Testimony
of
David Robbins, Jr.
President
South Jersey Gas Company
January 2017

I. INTRODUCTION

Q. Please state your name and your business address.

A. My name is David Robbins, Jr., and my business address is 1 South Jersey Plaza, Folsom, New Jersey 08037.

Q. By whom are you employed and in what capacity?

A. I am the President of South Jersey Gas Company ("South Jersey" or the "Company" or "SJG") and I am responsible for the overall executive leadership of SJG.

Q. Please briefly summarize your educational background and industry related experience.

A. I am a 1984 graduate of Old Dominion University, where I earned my undergraduate degree in accounting. I joined South Jersey Industries ("SJI") in 1997 as a Staff Accountant and held various management and officer positions of increasing responsibility in SJI and its various subsidiaries, including, but not limited to, South Jersey Resources Group ("SJRG"), Marina Energy, South Jersey Energy ("SJE"), South Jersey Energy Services ("SJES") and South Jersey Energy Service Plus ("SJESP"). These positions included Supervisor, Financial Reporting (SJI) from 1998-2001, Manager, Financial Reporting (SJI) from 2001-2005, and various Treasurer and Secretary positions from 2002-2013. I was elected Senior Vice President and Chief Operating Officer for SJE, SJES and SJESP in 2013. Thereafter, in 2014, I became President of SJES. I was appointed as Senior Vice President, Strategy and Corporate Development of SJI in 2016. In that role, I had strategic leadership responsibility over the sales and marketing functions at SJG. In January 2017, I was appointed to my current position as President of SJG.

In addition, I hold several positions outside of the SJG organization. I currently serve on the Board of Directors for the New Jersey Utilities Association. I also currently serve as a member of the Inspira Health Network Board of Directors and as a member of the Millville Savings and Loan Board of Directors. I formerly served as the Chair of Inspira Medical Centers, Inc. Board of Directors and was a former member of the United Way of Cumberland County Board of Directors.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony in this proceeding?

A. Through my testimony, I will provide an overview of this filing, provide an overview of the Company's corporate profile, culture and philosophy, discuss the actions the Company has taken to improve the customer experience, discuss the Company's efforts to promote energy efficiency, and discuss the actions the Company has taken to increase the safety and reliability of its transmission and distribution system with its Accelerated Infrastructure Replacement Program ("AIRP") and Storm Hardening and Reliability Program ("SHARP"). Additionally, I will provide a discussion of regulatory initiatives that the Company has undertaken in response to the New Jersey Energy Master Plan ("EMP") and in furtherance of our historical commitment to provide a cleaner, safer environment. I will also briefly discuss the status of the Company's proposal to construct a 22-mile transmission pipeline that will provide system reliability benefits to 144,000 customers and provide natural gas to the B.L. England Electric Generating Station in Upper Township, New Jersey.

III. THE REASON FOR THIS FILING

Q. Why is it necessary for the Company to seek a rate adjustment at this time?

A. This filing is primarily driven by the significant infrastructure investments the Company has made to its gas supply system since its last base rate proceeding. The Company must earn a fair return on the investments made so that we may continue to attract capital at reasonable rates and invest in the infrastructure necessary to continue providing safe, reliable service to our customers. The last base rate case order received by SJG was based upon a test year ending June 30, 2014. At that time, the Company's gross utility plant balance was $1.8 billion. Since then, the Company has made over $462 million of additional capital investments in its system and we project that an additional $305 million will be invested by February 28, 2018, inclusive of our AIRP and SHARP investments. As a result of these investments, SJG's system is the strongest it has ever been and customers have seen the benefits through increased safety and reliability, as discussed in more detail by Messrs. Fatzinger and Zuccarino in their Direct Testimony.

The Company also has a regulatory obligation to file a base rate case no later than October 1, 2017. This requirement was agreed to by the Company as part of a Stipulation of Settlement executed by the Company, Board Staff, the New Jersey Division of Rate Counsel and the New Jersey Large Energy Users Coalition for its SHARP program, which was approved by Board Order dated August 20, 2014 in Docket Nos. AX13030197 and GO13090814. Although SJG is not obligated to file a base rate case until October 2017, the decision was made to file now based on the significant capital investments we have made in our system and the need to earn a fair and reasonable return on those investments so that the Company may continue to attract capital at reasonable rates.

As these infrastructure investments have been made, the Company has had the opportunity to deliver low cost natural gas to its customers. The abundance of domestically produced natural gas, particularly in the neighboring Marcellus Shale, has allowed us to pass on significant savings to our customers, resulting in residential customer bills being lower today than they were fifteen years ago. Since South Jersey's last base rate case in 2014, decreases in natural gas costs have enabled SJG to provide its customers with $30 million in Basic Gas Supply Service (BGSS) bill credits and reduce its BGSS rate by 45.5%. As a result of these gas cost reductions, the average South Jersey residential customer has received $86.00 in bill credits over the past three years, is now paying $229.00 less per year for natural gas compared to 2014, and total annual bills are, on average, $92.00 less than they were in 2001. The Company will continue to focus on delivering the lowest cost gas possible to its customers, while also improving the safety and reliability of its system.

Despite our concerted efforts to effectively manage costs while we provide customers with safe and reliable service, we believe a change in base rates is necessary at this time. We made this decision so that we can continue to make the capital investments necessary to maintain our excellent quality of natural gas service, while also having an opportunity to earn a reasonable return for our shareholders. The Company makes significant annual investments to maintain a safe gas delivery system, however, further investments will be required in the immediate future to replace aging infrastructure, to comply with federal transmission and distribution pipeline integrity management regulations and to protect our distribution system from future major storm events like Superstorm Sandy. These investments will lead to additional external financing requirements and the resultant need to attract capital.

IV. CORPORATE PROFILE

Q. Can you please provide a brief overview of the Company and its mission.

A. South Jersey is one of the four (4) natural gas local distribution companies in New Jersey and serves approximately 375,000 customers within seven counties covering over 2,500 square miles in the southern section of New Jersey. South Jersey acknowledges the important service it provides to our customers and is committed to performing this service in a safe, reliable manner at a reasonable price.

South Jersey is the largest company within the SJI corporate structure and employs approximately 500 people. From 2014 through 2016, South Jersey's average annual capital expenditures were approximately $215.6 million. Capital expenditures during 2017 are anticipated to total $249.7 million. Our operations play a significant role in contributing to maintaining employment, job creation and the economy of the State and the South Jersey region. We are well aware of our important role and the Company is continually committed to support the State in its energy policy and initiatives.

Q. How does the Company's obligation to ensure that its customers receive safe, reliable and proper service coincide with the Company's overall mission?

A. Reliability and safety are the cornerstones of our corporate philosophy and culture. South Jersey continuously strives to improve its operations and utilizes a number of resources to measure its performance. For example, South Jersey participates in the American Gas Association ("AGA") Best Practices Benchmarking Program, which provides a means for individual natural gas utilities to survey other members on specific operational issues and evaluate themselves internally. South Jersey also participates in the AGA Peer Review Program, which is a voluntary peer-to-peer safety and operational practices review program that allows local natural gas utilities throughout the nation to observe their peers, share best practices and identify opportunities to better serve customers and communities. As part of the Peer Review Program, subject matter experts from peer companies evaluate other participating companies with the objective of gaining an understanding of the company's practices, procedures and standards in an effort to identify strengths and leading initiatives, as well as to identify areas that could be improved where appropriate.

In addition to providing excellent service to our customers, South Jersey strives to be a good corporate citizen and has adopted planning concepts which are directed toward balancing the interests of all stakeholders, including our customers, shareholders and policy makers. Recognizing and developing opportunities to balance the interests of all is something we at South Jersey work tirelessly to achieve. An example of our accomplishments in this area is the establishment of our Conservation Incentive Program

(CIP) in 2006, which is now in its eleventh year of operation. Through innovation, South Jersey and our regulators developed a program which redesigned our business philosophy and aligned the interests of our customers, shareholders and policy makers. The CIP enabled South Jersey to assist our customers in saving money on their gas bills while we continue to maintain our financial integrity, including a strong capital structure which allows us to attract capital at reasonable rates. Our capital structure is further discussed in the Direct Testimony of Mr. Paul Moul.

Additionally, South Jersey recognizes that, as a public utility, it has unique responsibilities to the State and the areas it serves, and it takes those responsibilities seriously. A true measure of a company's success is the extent that a company can prosper in the marketplace and at the same time make positive contributions to the public good. South Jersey has long held the belief that business success and corporate social responsibility need not be mutually exclusive. The result is a strong focus on environmental stewardship, social investment, customer and employee safety, diversity and corporate governance. The Company has implemented a number of measures to respond to and align our operations with the initiatives of our regulators and State policy makers.

V. <u>COMPANY ACHIEVEMENTS</u>

Q. Has the Company achieved any significant recognition related to its operations or corporate governance over the last few years?

A. South Jersey's commitment to providing our customers with superior service while contributing to New Jersey's social and environmental needs has resulted in the Company and SJI receiving a number of recent industry and community awards.

Specifically, SJI received the Corporate Board Gender Diversity Award in 2015 from the Executive Women of New Jersey ("EWNJ") for leading the way in boardroom gender diversity. In October 2016, the Forum of Executive Women recognized SJI and other companies where women directors comprise at least 25 percent of the Board.

SJI is also a proud member of the NJBPU Supplier Diversity Development Council ("SDDC"), which is dedicated to forging effective working relationships between diverse businesses and New Jersey utilities. SDDC looks to build these effective working relationships between minority, service-disabled veteran, and women-owned businesses, New Jersey public utilities and the BPU on matters related to methods of reporting, measuring, and assessing the development of these relationships. An SJI employee sits on the SDDC Board of Directors, in addition to our regular submission of progress reports. In 2015, we were awarded the Supplier Diversity Development Council Award.

In June 2016, SJI was honored with the New Jersey Community Champion Award from the United Way of Greater Philadelphia and Southern New Jersey. The award recognizes the Company's exceptional commitment across the community through service and support. Employee generosity, along with corporate contributions, helped SJI raise more than $100,000 for United Way priority programs.

The Company was also recognized by the American Heart Association which acknowledged SJI as both a 2015 and 2016 Platinum-Level Fit-Friendly Worksite. This level of achievement recognizes corporate commitment to promoting a wellness culture through proof of its effectiveness in changing behavior and/or saving costs.

In 2015, South Jersey Industries was rated number 28 among the top 40 energy companies in the country in Public Utilities Fortnightly's annual financial ranking. The magazine, the flagship publication of Public Utilities Reports, Inc., established this ranking to highlight the industry's leading companies based on financial performance over a 3-year period. Fortnightly's method of ranking energy companies uses an industry analysis that communicates value to future investors, future owners, energy asset operators, regulators and consumers. The top 40 companies were selected from the nation's electric and gas utilities, pipelines and distribution companies. SJI has been ranked in the top 40 companies since 2007.

VI. <u>CUSTOMER SERVICE INITIATIVES</u>

Q. What efforts or initiatives has the Company undertaken to improve its overall customer experience?

A. As part of our ongoing commitment to strengthen and improve the overall customer experience and recognizing that our customers expect and deserve the best possible experience with South Jersey, in 2016 we commenced a comprehensive Customer Experience (Cx) improvement initiative. This initiative is being led by the Company's Senior Vice President, Customer Experience, who is tasked with ensuring that the highest levels of customer service are achieved at all points of contact that our customers have with the Company. The two key elements of this initiative include internal process changes that will improve the customer experience for new customers starting at the natural gas line installation phase, and improvements to our billing and customer service departments for the benefit of all customers.

At the gas service installation phase, we have focused on adding personnel to be more responsive to customers' needs, while also providing better education as to the installation process. Specifically, we have added "Customer Advocate" positions to assist customers through the installation process and answer questions. New sales force tools were also developed to better educate the customer about natural gas and the installation process. We also added personnel to oversee the quality and speed of customer property restoration and have provided additional instruction for our contractors regarding how to better communicate and set expectations with customers while onsite.

As we made improvements to our billing and customer service areas, we started with a website redesign to make customer self-service easier. Specifically, we invested in a new website platform and design that makes it easier to find information about service, energy efficiency and general natural gas information. The new website also ensures easier online bill payment through easier navigation and a mobile-friendly platform. In addition, our customer bill is currently undergoing a redesign. The goal is to make it easier to understand by using best-in-class practices from within and outside the utility industry. Helpful energy-saving information and safety awareness content will be incorporated as well. Finally, we are conducting a comprehensive Contact Center assessment, employing a third-party consultant to provide an objective perspective on our processes and performance. The overall goal is to ensure that we are delivering a "best-in-class" Contact Center experience.

These improvements are representative of our commitment to continuously improve our customer experience now and into the future.

VII. COMMUNITY INVESTMENT

Q. How, if at all, has the Company supported its surrounding communities to ensure a more prosperous future for its customers.

A. SJI believes in commitment to the community and has provided millions of dollars in financial support to local nonprofit, business and civic organizations. Through our Community Partnership Grant Program, in 2015 and 2016 SJI funded 65 local nonprofit programs, provided $20,000 of Game on Grants to more than 570 youth sports teams and awarded $20,000 to Energy for the Arts Programs in 20 schools supporting Fine Arts, Instrumental Music, Jazz Band, Marching Band, Chorus, Drama, Dance and Digital Media programs. SJG also sponsored Teentech 2016, a science, technology, engineering and math (STEM) careers event for teen girls hosted by Atlantic Cape Community College.

In May 2016, SJG provided a grant through the Neighborhood Revitalization Tax Credit (NRTC) program to the Holly City Development Corporation in Millville, New Jersey. The program, administered by the New Jersey Department of Community Affairs' Division of Housing and Community Resources, provides community-based nonprofit groups with funding from corporate contributions for neighborhood revitalization projects. SJG's grant funded numerous activities throughout the community, including a summer camp, back-to-school fair, neighborhood cleanups, fitness and education programming, and mural arts projects.

In 2016, SJG entered into agreements to construct a new corporate headquarters in Atlantic City, New Jersey. SJG and Atlantic City have a long history together. Our roots there were laid in 1910 when one of our predecessor companies began serving customers as Atlantic City Gas Company. Today, we share the vision of most elected leaders, economists and the region's business community that greater economic diversity in Atlantic City is needed and will help it once again become an economic engine for the region, and the State as a whole.

Additional office space is necessary as a direct result of a growing and changing SJG workforce. Because SJG's corporate headquarters in Folsom, New Jersey cannot be expanded, and after considering other options for acquiring or leasing additional office space, SJG became interested in the opportunity to collaborate with the Atlantic City Development Corporation ("ACDEVCO") to construct a new office building in Atlantic City. SJG's new office building will be a part of the larger Atlantic City Gateway Project and will be adjacent to the new Stockton University Island Campus. This new office will enable SJG to consolidate leases that host staff across the region and will be able to accommodate SJG's growing workforce, while also supporting the economic diversification of Atlantic City. Construction is anticipated to be completed in late 2018.

VIII. <u>RECENT REGULATORY ACTIVITIES</u>

Q. Please explain the regulatory initiatives the Company has supported to reinforce its infrastructure, promote energy efficiency and help stimulate New Jersey's economy.

A. With the discovery of vast natural gas resources in the Marcellus Shale, natural gas has come to the forefront of our nation's energy policy and is the centerpiece of New Jersey's Energy Master Plan ("EMP"). New Jersey has also been a leader in recognizing that historically low natural gas prices provide the "headroom" for vital investments in upgrading aging utility infrastructure. South Jersey is supportive of the State's ideals and has been an active and willing participant in these proceedings. We commend our policy makers and regulators for these efforts and are proud to have taken actions that contributed toward meeting New Jersey's goals and objectives during recent regulatory proceedings.

In April 2009, South Jersey received approval from the Board to institute its Capital Investment Recovery Tracker ("CIRT"). Originally designed to stimulate the economy and create additional jobs in response to then Governor Corzine's economic stimulus plan, a number of high profile and devastating natural gas explosions since that time in other jurisdictions have turned the focus to system safety and reliability. With the approval of CIRT II in 2011 and CIRT III in 2012, South Jersey continued making significant incremental capital investments in its system and began to shift its focus to concentrate solely on the replacement of aging bare steel and cast iron infrastructure. In February 2013, South Jersey received approval from the Board to continue making these incremental investments in replacing aging cast iron and bare steel infrastructure over a four year period with the approval of the AIRP. Most recently in October 2016, South Jersey received approval from the Board to continue its AIRP ("AIRP II") for a period of five years. Under this renewed program, South Jersey anticipates it will replace all remaining cast iron and unprotected steel in its distribution system by 2021.

In August 2014, South Jersey received approval from the Board to institute its SHARP, pursuant to the Board's March 20, 2013 Order (Docket No. AX13030197) which initiated a generic proceeding in response to Superstorm Sandy, seeking proposals for infrastructure upgrades designed to protect New Jersey infrastructure from future "Major Storm Events". The SHARP has enabled South Jersey to accelerate the upgrading of its low pressure distribution systems along the barrier islands to high pressure, in an effort to harden the Company's distribution system and make it less susceptible to storm damage and customer outages caused by water intrusion during Major Storm Events.

All told, as of November 2016 South Jersey has invested approximately $430 million in system improvements and created approximately 1,200 jobs with its CIRT, AIRP and SHARP programs, while eliminating hundreds of leaks from its distribution system and improving safety and reliability for our customers. The success of these programs is due to the recognition by both the Board and Rate Counsel that these investments are necessary and require innovative regulatory treatment for the Company to attract capital at reasonable rates. The infrastructure programs are discussed further in the Direct Testimony of Paul J. Zuccarino.

IX. ENERGY EFFICIENCY AND ENVIRONMENTAL INITIATIVES

Q. Please explain the energy efficiency programs the Company has in place and the overall benefits derived from these programs.

A. SJG management and its Board of Directors believe that businesses are responsible for achieving sustainable environmental practices and operating in a sustainable manner.

This belief translates to our commitment as stewards to reduce our environmental footprint and to continue improving our operations sensitive to the environment. This is an integral and fundamental part of our business strategy and operating methods.

Our commitment to providing the most environmentally friendly energy supplies and encouraging customers to implement energy efficient equipment and measures is evident in the aforementioned CIP program and our Energy Efficiency Programs ("EEP"). These efforts are a natural progression of the Company's environmental and energy efficiency commitment. We have promoted environmental benefits to our customers through various programs, beginning as far back as the 1980's. These efforts have included rebates and efficiency audits. In addition, we have utilized our financial strength to offer zero percent loans to qualified customers to convert to natural gas service, and thereby displace heavier, carbon based fuels, and expensive electric systems. In most cases, our customers use these loans to offset the cost of the installation of a high efficiency heating system. The overall result is a decrease in greenhouse gases and a reduction in the reliance upon foreign oil.

With the Board's cooperation, and in partnership with the New Jersey Clean Energy Program, we have also provided our customers with financing and rebates under our EEP program that have allowed them to upgrade to high efficiency equipment and conserve energy, while boosting the economy with the creation of green jobs. In August 2015, South Jersey received approval from the Board to continue its EEPs for two years. Since the EEPs were initially implemented in 2009, SJG has invested $56.5 million in promoting energy efficiency under the program and has issued loans or rebates to 12,624 residential and commercial customers. South Jersey has committed over $36 million for investment by December 2018. The Company is pleased to participate in this program that will assist South Jersey in providing additional services to our customers while supporting the goals of New Jersey's EMP.

Q. Please explain how the Company has worked towards resolving the legacy environmental issues stemming from historic manufactured gas plant sites and any other significant environmental achievements.

A. We are also proud of our environmental record. Many natural gas utilities in the United States are addressing the legacy environmental issues that exist at the sites of old Manufactured Gas Plants ("MGP"). South Jersey has been a leader in remediation activities and takes a hands-on approach to the management of its MGP remediation program. The Company was originally responsible for 14 such sites, one of which has been remediated to completion and received NJDEP regulatory closure, and one of which was transferred by agreement to a third-party for remediation. This site is now the location of the Atlantic City Convention Center. Of the remaining 12 sites, 7 have undergone significant remediation and are in various stages of monitoring to achieve site closure. We are currently working on remediating the remaining 5 MGP sites in concert with our Licensed Site Remediation Professional and NJDEP.

In 2016, SJG joined the U.S. Environmental Protection Agency's Natural Gas STAR Methane Challenge Program as a Founding Partner. The program is designed to provide a transparent platform for utilities to make, track and communicate commitments to reduce methane emissions. SJG is reducing emissions by replacing its aging bare steel and cast iron infrastructure and, with the Board's approval in October 2016 to continue its AIRP program, SJG is accelerating the elimination of its most leak prone pipe.

Our environmental impact reducing principles are not limited to external efforts. We are also very proud of the steps we have taken to reduce our environmental impacts among our own operations. Millennium Account Service, LLC ("Millennium"), our joint venture investment with Conectiv Solutions, has provided meter-reading services to SJG and Atlantic City Electric Company ("ACE") for the past 17 years. From its inception, this joint venture has allowed each utility to: (i) reduce driving mileage by more than 19,341,000 miles, (ii) avoid consumption of 1,265,944 gallons of fuel, and (iii) prevent the discharge of 25,297,080 pounds of carbon dioxide into the atmosphere. All while providing monetary savings to New Jersey utility customers.

SJG is also committed to building an infrastructure for natural gas vehicles to benefit business, consumers and the environment, and to support the EMP's goal of facilitating the infrastructure needed to support broader use of alternatively-fueled vehicles. These efforts are discussed further in Mr. Fatzinger's Direct Testimony.

X. B.L. ENGLAND AND RELIABILITY PIPELINE PROJECT

Q. Please explain the efforts made by the Company to serve the BL England Facility and further ensure reliability to its customers through construction of a new, critically important pipeline.

A. The Company has continued its efforts to construct a critically important natural gas pipeline that will enable B.L. England in Upper Township, New Jersey to repower with natural gas and that will provide a redundant feed to over 140,000 customers in the southern portions of South Jersey's territory. In 2015, the staff of the Pinelands Commission authorized construction to proceed and the Board issued two orders necessary for construction to commence. Appeals were subsequently filed and in November 2016, the Appellate Division of the New Jersey Superior Court issued two decisions remanding the matters to the Board and to the Pinelands Commission for further action. The Board amended its two prior orders to conform to the Court's decision on December 12, 2016 and the Pinelands Commission is expected to hold a vote on final approval of the project in the first quarter of 2017. We anticipate ongoing efforts to advance construction of this pipeline project through 2017 and are looking forward to completing construction of this vitally important project.

XI. CONCLUSION

Q. Please provide a briefly summary of your testimony.

A. South Jersey Gas Company has and continues to manage its business responsibly and effectively and continues to provide a high quality of service to our customers at reasonable rates. However, we must now be afforded the opportunity to earn a reasonable return on our investments made since the Company's last base rate case. The Company has made significant and prudent investments to our transmission and distribution systems and has experienced cost increases which have affected all industry sectors within the economy. I respectfully request that the Board provide South Jersey with the opportunity to earn a fair return on our investments and grant our request for rate relief at this time.

Q. Does that conclude your testimony?

A. Yes, it does.

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY FOR APPROVAL OF INCREASED BASE TARIFF RATES AND CHARGES FOR GAS SERVICE AND OTHER TARIFF REVISIONS	: : : : :	DOCKET NO.________________

TESTIMONY AND SCHEDULES

Volume 2 of 3

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Attorney for Petitioner
South Jersey Gas Company

January 2017

Direct Testimony
of
Kenneth J. Barcia
Manager, Rates and Revenue Requirements
South Jersey Gas Company
January 2017

I. INTRODUCTION

Q. Please state your name, affiliation and business address.

A. My Name is Kenneth J. Barcia, and I am the Manager of Rates and Revenue Requirements for South Jersey Gas Company ("South Jersey" or "SJG" or the "Company"). My business address is One South Jersey Plaza, Folsom, NJ 08037.

Q. Please summarize your educational background and industry related experience.

A. I joined South Jersey Industries, Inc. ("SJI") in December 2011 as Risk Management Project Specialist. In March of 2013, I was promoted to Credit Manager of the Risk Management Department of SJI. Most recently, in May of 2015, I accepted my current role as Manager, Rates and Revenue Requirements with South Jersey. Prior to my employment with South Jersey, I held various positions in the engineering and accounting fields. I hold a Bachelor of Science degree in Environmental Engineering and in Accounting, both from Temple University, 1992 and 2002, respectively. I am a member of the American Gas Association (AGA), where I serve on the State Affairs Committee, and the New Jersey Utilities Association (NJUA), where I serve on the Finance and Regulations Committee.

Q. What are your current responsibilities?

A. In my current role, I manage the daily activity of the Company's Rates and Revenue Requirements department and provide support and strategic direction regarding rate and revenue related filings before the Board of Public Utilities (the "BPU" or the "Board"). I also assist with the development and interpretation of the Company's tariff.

Q. Have you submitted testimony in any regulatory proceedings?

A. Yes. I previously submitted testimony in the Company's 2016 Basic Gas Supply Service ("BGSS") and Conservation Incentive Program ("CIP") proceeding (Docket No. GR16060483), 2016 Societal Benefit Clause ("SBC") proceeding (Docket No. GR16080728), Accelerated Infrastructure Replacement Program Extension ("AIRP II") and AIRP Base Rate Adjustment proceeding (Docket No. GR16020175), and the Company's 2016 Storm Hardening and Reliability Program ("SHARP") Base Rate Adjustment proceeding (Docket No. GR16040387).

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony in this proceeding?

A. My testimony supports the Company's revenue requirement calculation in this case, which is based upon a test year ending August 31, 2017, including pro forma adjustments to the test year Income Statement and Statement of Rate Base. In support of the revenue requirement, I explain pro forma adjustments to test year revenues, including the impact of revenue increases that occur during and subsequent to the proposed test year related to investments made under the Company's Accelerated Infrastructure Replacement Program ("AIRP") and Storm Hardening and Reliability Program ("SHARP"), and pro forma adjustments to operations and maintenance ("O&M") expense. Lastly, my testimony discusses proposed changes to the Company's existing tariff.

III. PROPOSED TEST YEAR

Q. In this proceeding, what is the test year period that South Jersey is proposing?

A. South Jersey is proposing a test year for the twelve months ending August 31, 2017. This filing utilizes three months of actual data ending November 30, 2016 and nine months of estimated data through August 31, 2017. Generally, the estimated data has been extracted from the Company's operating and capital budgets and forecasts. The estimated data will be replaced with actual data as the case progresses, ultimately containing all actual results in the 12-month update.

Q. **Are you providing Schedules in support of the topics you intend to cover in your Testimony?**

A. Yes. Support related to the Company's calculation of its revenue requirement and rate base is reflected on the following Schedules:

- KJB-1 Summary of Revenue Requirement
- KJB-2 Statement of Rate Base
- KJB-3 Adjusted Test Year Income Statement
- KJB-4 Derivation of Revenue Factor

The pro-forma adjustments to the test year income statement and statement of rate base are also reflected on my Schedules as follows:

- KJB-5 Summary of Pro Forma Revenue Adjustments
- KJB-6 SHARP & AIRP Adjustments
- KJB-7 Energy Efficiency Tracker
- KJB-8 Interruptible, Off-System Sales and Storage Incentive Mechanism

- KJB-9 Pro Forma Customer Annualization
- KJB-10 Customer Counts
- KJB-11 Sales from Post-Test Year Utility Plant Additions
- KJB-12 Pro Forma New Customers from Post Test Year Utility Plant Additions
- KJB-13 Pro Forma Contract Changes
- KJB-14 Summary of Pro Forma Operating & Maintenance Adjustments
- KJB-15 Pipeline Integrity Management Expenses
- KJB-16 Payroll and Benefit Adjustments
- KJB-16A Payroll Increase
- KJB-17 Employee Benefits Expense
- KJB-18 Amortization Adjustments
- KJB-19 Customer Deposits
- KJB-20 Revenue Taxes
- KJB-21 PUA Expense Adjustment
- KJB-22 Income Statement

Finally, the Company's proposed N.J.B.P.U. Tariff for Gas Service No. 12 is reflected in my Schedules as follows:

- KJB-23 Proposed Tariff for Gas Service No. 12

IV. REVENUE REQUIREMENT

Q. Please describe the Schedules you are submitting in support of the Company's requested additional operating revenue.

A. Schedule KJB-1, attached hereto, reflects the calculation of South Jersey's requested additional operating revenue of $74,874,738, as supported by Company witnesses in this case.

Schedule KJB-1, Line 2, reflects the adjusted test year rate base of $1,635,111,330, which is calculated on Schedule KJB-2. Schedule KJB-2 reflects the adjustments made to specific rate base elements and provides a reference to the Schedules sponsored by each witness supporting the adjustment. The proposed rate of return on rate base of 7.66 % is sponsored by Paul R. Moul (Exhibit P-8).

Schedule KJB-1, Line 8, reflects the adjusted test year net operating income of $74,526,488, which is calculated on Schedule KJB-3. Schedule KJB-3 summarizes the pro forma adjustments to net operating income and shows the reference for each adjustment as sponsored by a Company witness in this case.

Schedule KJB-1, Line 10, shows an income deficiency of $50,723,040, which is grossed up for taxes by a revenue factor of 1.85%, shown in line 12. Schedule KJB-4 depicts the derivation of the revenue factor used to convert the income deficiency into the revenue requirement of $93,710,905. The revenue factor includes adjustments for Sales and Use Tax, Public Utility Assessment Tax (PUA), bad debt allowance, New Jersey Corporation Business Tax, and Federal Income Tax. Each of these components must be reflected in this factor in order for the Company to earn each incremental dollar of income from the required revenue increase.

Schedule KJB-1, Line 16, reflects the revenue requirement without New Jersey Sales and Use Tax ("SUT"). Schedule KJB-1, lines 19 and 20, reflect a reduction to the total revenue requirement to account for the SHARP and AIRP II revenue adjustments that will occur on October 1, 2017 pursuant to the schedules approved in the respective Board Orders approving those programs. These revenue adjustments are discussed further in Section V of my testimony. Schedule KJB-1, line 21, reflects the roll-in of the Conservation Incentive Program ("CIP"), similar to the roll-ins that have occurred in the Company's last two base rate cases. After giving consideration to the roll-in of AIRP II, SHARP and CIP, we show the need for a net operating revenue requirement increase of $74,874,738 (line 23).

V. ADJUSTMENT FOR OCTOBER 2017 SHARP AND AIRP RATE CHANGES

Q. Can you explain the adjustments that have been made to the revenue requirement on Schedule KJB-1 to account for the anticipated SHARP and AIRP II rate adjustments that will occur on October 1, 2017?

A. The rate base balance reflected on KJB-1, Line 2, includes capital expenditures associated with SHARP and AIRP II investments through June 30, 2017, as discussed in Mr. Zuccarino's Direct Testimony (Exhibit P-6) and reflected in Schedule PJZ-1. Pursuant to the Board's Orders approving the SHARP and AIRP II, dated September 23, 2016 (Docket No. GR16040387) and October 31, 2016 (Docket No. GR16020175), respectively, investments made under both programs through June 30, 2017 will be reflected in a base rate adjustment to be effective October 1, 2017. Because such capital will be recovered outside of this base rate case filing, we have made an adjustment on Schedule KJB-1, Lines 19 and 20, to reduce the revenue requirement by the projected annualized revenue requirements associated with the SHARP and AIRP II rate adjustments that will occur on October 1, 2017. The Annual SHARP and AIRP II filings will occur on April 30, 2017 based on actual data as of March 31, 2017 and projected data through June 2017, to be replaced with 12 months of actual data in a subsequent update filing by July 15, 2017. As such, the revenue requirement reduction reflected on KJB-1 will be updated as this case proceeds.

VI. ADJUSTMENTS TO TEST YEAR REVENUES AND COST OF GAS

Q. Can you outline and explain the revenue and cost of gas adjustments the Company is proposing to make within its rate case filing and that are sponsored here in your testimony and supporting Schedules?

A. ***Pro Forma Revenue and Cost of Gas Adjustments:*** Schedule KJB-5 summarizes the pro forma revenue and cost of gas adjustments supported by all witnesses in this case and provides a reference to the schedules sponsored by each witness. The sum of the revenue adjustments, ($16,301,842), is reflected in line 3 of Schedule KJB-3 (Income Statement). The sum of the cost of gas adjustments, ($3,739,537), is reflected in line 10 of Schedule KJB-3.

SHARP & AIRP: Schedule KJB-6 reflects two adjustments that have been made to annualize the test year revenues for SHARP and AIRP rate adjustments that occurred during the test year. The first adjustment annualizes the impact of the October 1, 2016 SHARP base rate adjustment that was approved by way of Board Order dated September 23, 2016 (Docket No. GR16040387). In that proceeding, the Board authorized the

Company to roll into base rates, effective October 1, 2016, an annual revenue requirement of $3.931 million (including SUT) associated with approximately $33.7 million of SHARP investments made during the period of July 1, 2015 through June 30, 2016. On Schedule KJB-6, Line 1, a pro forma adjustment was made to capture one month of test year revenues for September 2016 related to the approved base rate roll-in rate adjustments.

The second adjustment, KJB-6, Line 2, annualizes test year revenues for the December 1, 2016 AIRP base rate adjustment that was approved by way of Board Order dated October 31, 2016 (Docket No. GR16020175). In that proceeding, the Board authorized the Company to roll into base rates, effective December 1, 2016, an annual revenue requirement of $11.046 million (including SUT) associated with approximately $74.5 million of AIRP investments made from the time of the Company's last base rate case through the end of the original AIRP program. This pro forma adjustment to revenues for the first three months of the test year (September, October and November 2016) was made to reflect a full 12 month impact of the base rate adjustment associated with the December 1, 2016 AIRP Roll-In. The SHARP and AIRP revenue adjustments are summarized on Schedule KJB-5.

Energy Efficiency Tracker: Schedule KJB-7 reflects the adjustment to revenue and O&M expenses for the Company's Energy Efficiency Tracker ("EET"). The Company's Energy Efficiency Programs, first approved by the Board in 2009, provide zero or low interest loans and rebates to customers for the installation of energy efficient equipment in their homes and businesses. Unlike the SHARP and AIRP infrastructure investments, which are reflected in base rates through annual base rate adjustments, these programs and the associated tracker are designed to be adjusted outside of a base rate case. As such, we have removed the revenue and O&M expenses associated with the EET from the pro forma income statement in this case, similar to the adjustments that were made and accepted in the Company's last two base rate cases. The revenue adjustment of ($5,693,600) is summarized on Schedule KJB-5. The O&M adjustment of ($1,122,300) and the EET amortization adjustment of ($715,700) are summarized on Schedule KJB-14, which is discussed later in my testimony.

Incentive Mechanisms: Schedule KJB-8 reflects the adjustment to revenue, cost of gas, and related taxes to eliminate the impact of shared profits from interruptible and off-system sales, as well as the Storage Incentive Mechanism during the test year. Since these items are incentive mechanisms, and are not firm revenues, the effects of interruptible sales are always removed from the firm revenue requirement in base rate cases. Test year revenue is therefore, adjusted to remove the Company's 15% share of the margin received. The balance of the margin received, or the ratepayer share, flows through to the Basic Gas Supply Service ("BGSS") clause, reducing overall gas costs. The adjustments to revenue and cost of gas are summarized on Schedule KJB-5 and flow to Schedule KJB-3 (Income Statement).

Customer Annualization: Schedule KJB-9 reflects an adjustment to annualize the number of Residential and General Service firm sales and transportation customers. The purpose of annualization is to reflect the trends of increasing or decreasing customers to determine the appropriate base level of customers for each class. The base level is the level of customers anticipated to be on the Company's system at the time rates from this proceeding will go into effect. The result of this annualization is a decrease in revenue of $453,748 and a decrease in the cost of gas of $289,594.

For this adjustment, the classes were analyzed to properly capture the trend in the customer classes. In each case, the annualization was calculated by multiplying the monthly level of annualized customers by temperature normalized sales volumes (Dt) per customer, which resulted in either an increase or decrease in total sales volumes. The sales volumes were then multiplied by revenue and gas costs per Dt to derive the annualized revenue and cost of gas for each class. The Residential Heating and Residential Non-Heating classes are the only classes to reflect an increase in annualized revenue and cost of gas due to a projected increase in the number of customers at the end of the test year. The sum of the General Service classes reflects a decrease in annualized revenue and cost of gas due to a projected decrease in the number of customers at the end of the test year compared to the winter peak season.

In order to reflect a proper base level in each class, each month is adjusted to the August 2017 base level. In this way, the test year is annualized for customer fluctuations to the projected customer level on the Company's system when rates from this proceeding go into effect. The annualization of all customer classes, utilizing actual customers per rate class, will be updated as the information becomes available to the Company. This adjustment is summarized on Schedule KJB-5.

Schedule KJB-10 identifies the Company's month end customer counts during the test year utilized to perform the customer annualization in Schedule KJB-9. This monthly customer data represents "net" customer counts (i.e. customers added minus customers lost). This schedule includes three months of actual data and nine months of projected data. The projected data will be updated with actual data through the course of the rate proceeding.

New Business Utility Plant: Schedule KJB-11 contains the post-test year adjustment to the Income Statement for sales from utility plant additions. This adjustment gives recognition to incremental sales which will be generated by the "new business" utility plant supported by Paul J. Zuccarino's Direct Testimony (Exhibit P-6). Schedule KJB-12 reflects the projected post-test year gross customer additions as a result of the plant that will be added in the six (6) months following the test year. The Company's forecast of customer additions for the post-test year period was used as a surrogate to calculate the resultant annual increase in sales, revenue and gas costs for each new customer. This calculation results in an incremental $5,141,764 increase in revenues, and a $2,267,538 increase in cost of gas. This customer growth information will be updated with actual data during the course of the rate case proceeding. This adjustment is summarized on Schedule KJB-5.

Large Customer Contract Changes: Exhibit KJB-13 details the contract changes associated with these Comprehensive Transportation Service ("CTS") and Large Volume Service ("LVS") customers and quantifies the contractual sales changes by annualizing the customers' loads at the new contract levels.

The cumulative result of these contract changes is a revenue decrease of $480,724 and an associated cost of gas decrease of $102,587. The financial impact of this increase in throughput is reflected as an adjustment in Schedule KJB-5.

VII. ADJUSTMENTS TO TEST YEAR EXPENSES

Q. Can you outline and explain the Operating and Maintenance Expense (O&M) adjustments the Company is proposing to make within its rate case filing and that are sponsored here in your testimony and supporting Schedules?

A. ***Summary of Pro Forma Operating and Maintenance Expense Adjustments:*** Schedule KJB-14 provides a summary of pro forma Operating & Maintenance (O&M) expense adjustments, as well as associated Schedule references. The sum of the O&M expense adjustments, ($2,199,027), is reflected on line 12 of Schedule KJB-3 (Income Statement).

Pipeline Integrity Management: Schedule KJB-15 shows the pro-forma adjustment for deferred and projected expenses related to Pipeline Integrity Management ("PIM"), a federally mandated integrity management program for gas transmission pipelines and distribution systems required by 49 CFR 192.901, *et al.* The Company's PIM activities are described in more detail in Robert Fatzinger's Direct Testimony (Exhibit P-5). Deferred accounting treatment of PIM programs was approved in the Company's 2010 and 2013 base rate cases and the Company proposes to continue deferred treatment of PIM expenses going forward. Line 1 of Schedule KJB-15 identifies the projected costs incurred and deferred as of August 31, 2017. The Company proposes to amortize these costs over three (3) years, consistent with the amortization period approved in the Company's last two base rate cases. Line 2 of Schedule KJB-15 identifies the annual amortization expense of $1,580,182 and flows to Schedule KJB-14. In the event that the Board does not approve deferred treatment of PIM expenses going forward, the Company proposes to include an estimated annual cost of $1,367,984 as a pro forma test year adjustment to its O&M expenses in this case.

<u>Employee Payroll Related Pro Forma Adjustments</u>: Schedule KJB-16 identifies the Company's pro-forma adjustments for employee payroll changes and employee annualization. The resulting increase to wages and FICA expense totals $724,399 and is summarized on Schedule KJB-16, line 10.

Schedule KJB-16A provides actual and projected test year base wages, adjusted to annualize anticipated wage increases after taking into consideration actual and anticipated employee additions and separations. The Annualized Wage column reflects the total annualized test year wages of $30,857,730, which are calculated by increasing the wages for the period September 2016 through December 2016 by 3%. This 3% increase represents a general wage increase for all non-union employees consistent with the Company's historical level of general wage increases, and is consistent with the increase negotiated with the International Brotherhood of Electrical Workers ("IBEW"). No non-union wage adjustment is included for January through August 2017, as these increases were already incorporated into the Company's projected figures.

In addition, the Company recently agreed to a one year extension of its Collective Bargaining Agreement ("CBA") with the IBEW Local 1293, one of two labor unions that represent South Jersey's workforce. Without this extension, the CBA would have expired on February 28, 2017. Schedule KJB-16 includes an annualized contractual increase of 3% for IBEW employees that was negotiated as part of the extension and which was not otherwise incorporated into the Company's schedules in this case. The total payroll and FICA adjustment is reflected on Schedule KJB-14.

In addition to the IBEW CBA that will expire on February 28, 2018, South Jersey also has a CBA with The International Association of Machinists and Aerospace Workers

("IAM") Local 76 that will expire in August 2017. Negotiations with IAM Local 76 and IBEW Local 1293 will likely result in new CBA's and wage increases on September 1, 2017 and March 1, 2018, respectively. At this time, the Company is unable to project the outcome of those negotiations. If during the pendency of this case, negotiations with these labor unions are concluded and additional labor costs become known and measurable, South Jersey will provide details regarding those costs in its 12-month update and as a pro forma adjustment to payroll expense consistent with the Board's decision in *In Re Elizabethtown Water Company Rate Case (1985).*

Healthcare Benefit Pro Forma Adjustments: Schedule KJB-17 reflects the pro forma adjustments to healthcare benefits during the test year. Of the total increase of $169,504, $150,352 represents the annual increase related to the change in the Company's benefit plan participant additions and separations, which is the net result of combining new hires, retirements and terminations for the period. The other $19,152 represents the annual increase related to the net change in the Company's health care plan expenses. This adjustment is summarized on Schedule KJB-14.

Amortization Expense: Schedule KJB-18 reflects several adjustments related to expense amortizations. First, adjustments have been made to remove test year expenses for amortizations approved in the Company's last base rate case. The Board's Order approving the Company's last base rate case (Docket No. GR13111137) approved a three (3) year amortization of expenses related to Superstorm Sandy costs, rate case expense, audit expense, PIM costs and AFUDC Equity Tax Losses. The three year amortization period will be completed on September 30, 2017, thus it is necessary to adjust test year expenses to remove these amortizations to avoid double recovery. These adjustments totaling ($3,012,651) are summarized on KJB-18, line 6.

Second, an adjustment has been made to remove the AFUDC Equity Tax Loss amortization included in the December 1, 2016 AIRP base rate adjustment, which was approved by way of Board Order dated October 31, 2016 (Docket No. GR16020175). The 18 month amortization period will be completed on May 31, 2018, thus it is necessary to adjust test year expenses to remove these amortizations to avoid double recovery. This adjustment of ($774,241) is identified is on Schedule KJB-18, line 7.

Lastly, a pro forma adjustment has been made for expenses related to this rate case. This adjustment includes the projected costs of legal and consultant expenses, newspaper notices, court reporting, postage and other miscellaneous expenses. These expenses are projected to total $890,500. Consistent with Board policy, the Company proposes to amortize fifty percent of these expenses over a three year period, which represents the average time between Company rate cases since 1981. This number is a surrogate and the Company would accept the usage of actual rate case expenses incurred when known. However, for present purposes this adjustment equates to $148,417 as reflected on Schedule KJB-18, line 8.

The total net amortization expense adjustments of ($3,638,475) is identified on Schedule KJB-18, line 9, and flows to Schedule KJB-14, Line 6.

Interest on Customer Deposits: The adjustment for interest on customer deposits is detailed on Schedule KJB-19. Interest expense, in accordance with GAAP, is booked below the line, but interest on customer deposits has been moved above the line for ratemaking purposes. This adjustment is appropriate when customer deposits are used to reduce rate base as a customer supplied source of capital, as we have done in this case. Line 20 of the Schedule shows the projected interest of $24,713 to be paid to ratepayers during the test year based on a 0.11% 2016 interest rate and a 0.40% 2017 interest rate. These rates are contained in the current Board regulations *N.J.A.C.* 14:3-3.5(d). Based on the anticipated customer deposits in February 2018, and utilizing the interest rate of 0.40%, the projected interest on customer deposits will be $32,847, as reflected on line 23. When compared to the test year projected interest, as summarized on Lines 26-32, a pro forma adjustment in the amount of $8,133 is necessary. This increase in interest expense flows to Schedule KJB-3, Line 31.

Test Year Rate Base Adjustment for Customer Deposits: Schedule KJB-19 also reflects the rate base adjustment for an increase in customer deposits of $73,513 made during the test period and a pro-forma adjustment of an increase in customer deposits of $116,467 made for the six month period after the test period. Projected customer deposits are a factor of the average deposit per customer and the number of customers with deposits. Customer deposits are also summarized on lines 26-32, and are shown as a reduction to rate base on Schedule KJB-2, Line 13.

Revenue Taxes: Schedule KJB-20 reflects adjustments to the income statement for revenue taxes. The Schedule summarizes the PUA tax adjustments as a result of revenue adjustments related to CIP, customer annualization, sales from post-test year plant additions, contract changes, interruptible sales revenue adjustment and EET adjustment, which are reflected in Schedules KJB-5 and KJB-8. Total adjustments to revenue are reflected on this Schedule and the total is multiplied by the PUA assessment of 0.2505%. This adjustment flows to Schedule KJB-3, Line 16.

PUA Expense Adjustment: Schedule KJB-21 reflects adjustments to the income statement for a PUA rate change. In accordance with *N.J.S.A.* 48:2-60 and *N.J.S.A.* 52:27EE-52, the Company provides funding to the State of New Jersey associated with the operations of the Board (BPU Assessment) and Rate Counsel (Public Advocate Assessment). These assessments are predicated on rates established by the State of New Jersey and are applied to each gross intrastate revenue dollar recorded by the Company for the preceding year. The current assessment rates, which were last revised in the Company's 2010 base rate case, are $0.0018 for the Board and $0.0004 for Rate Counsel. Utilizing a 5 year historical average of PUA assessments, these current rates are not adequate to recover the Company's funding obligation. Therefore, the Company is proposing to update these rates to $0.002034 for the Board and $0.000471 for Rate Counsel. By applying these updated rates to year-end 2015 intrastate operating revenues, the Company has estimated its funding obligation for the Board and Rate Counsel at $1.19 million. The adjustment of $263 thousand ($243 thousand, net) increases the test year operating expenses to that level and is reflected on Schedule KJB-3, Line 16. The adjustment recognizes test year expense for this item at a level that the Company will incur while the new assessment rates are in effect. This assumes stability of the assessment rate and, therefore, is appropriate to be adopted in this proceeding.

Income Statement: Schedule KJB-22 is the Company's income statement, reflected by month, for the test period. The months of September, October and November 2016, contain actual data and the remaining nine months contain the Company's projections. This Schedule will be updated with actual data as the information becomes available to the Company.

VIII. PROPOSED TARIFF

Q. Please explain the Company's proposed changes to its tariff.

A. In addition to the Schedules supported by my testimony in this proceeding, the following summarizes and supports proposed changes to the Company's tariff. Attached to the Petition as Schedule P-1 is the South Jersey Gas Company Tariff for Gas Service, N.J.B.P.U. No. 11 – GAS, the currently effective tariff. Also attached is Schedule KJB-23, the proposed South Jersey Gas Company Tariff for Gas Service No. 12 ("Proposed Tariff") reflecting tracked changes from South Jersey's currently effective Tariff No. 11 (Exhibit P-1).

List of Communities Served – Tariff Sheet Nos. 3-4

The Company's list of communities served has been updated to include the Township of Southampton. On August 19, 2014, the Township adopted Ordinance No. 2014-21 granting South Jersey exclusive and perpetual consent and permission to furnish gas and exclusive consent and permission to use the streets within the Township for the provision of gas service. By way of Order dated October 22, 2014 in Docket No. GE14090957, the Board approved the consent granted by the Township for the provision of gas service, without limiting its duration, and approved the Township's consent for the use of the streets for a period of 50 years. The Board's Order was effective as of October 31, 2014.

Natural Gas Vehicle (NGV) Tariff – Tariff Sheet Nos. 62-66

A new "Facilities Charge" and Special Provisions (b) and (c) have been added to the Natural Gas Vehicle Service at Customer Operated Fueling Stations and Delivery Service for Natural Gas Vehicles sections of the NGV Tariff. With these additions, the Company would allow an NGV customer to elect to have the Company construct CNG fueling facilities on the customer's property. Customers electing this option would be charged a Facilities Charge and, if necessary, an additional Minimum Annual Facilities Charge ("MACF"), sufficient to enable the Company to fully recover its revenue requirements, including a return on invested capital, depreciation, and taxes, over a period agreed to by the Company and the customer. The proposed Facilities Charge represents the per therm rate that would be charged to a customer for the typical station with construction costs of $1 million and annual volumes of 500,000 therms. The MAFC would be an incremental charge, in addition to the Facilities Charge, calculated on an individual customer basis to reflect actual station construction costs and volumes, but in no event would the Company adjust this charge to a level that would not allow for recovery of the Company's revenue requirements.

The proposed Special Provisions reflecting this new offering are reflected in Schedule KBJ-23 as follows:

For customers that elect to have the Company construct CNG fueling facilities located on Customer's property, the Company may require, in addition to the C-2 Facilities Charge, that a customer agree to pay a Minimum Annual Facilities Charge ("MAFC"), provided that the MACF must be sufficient to enable the Company to fully recover the applicable revenue requirements of all such Company constructed facilities over a negotiated period as set forth in the Standard Gas Service Agreement (NGV). The MACF may be revised or omitted at the expiration of the term of the Standard Gas Service Agreement (NGV). In its sole reasonable discretion, the Company may also require a cash deposit, letter of credit or other security to assure payment of the MAFC.

Customer may request that the Company operate and/or maintain CNG fueling facilities located on Customer's property. Dispensing of compressed natural gas into vehicles shall be the sole responsibility of the Customer. Any Company responsibility for operating and/or maintaining CNG fueling facilities shall be delineated in the Standard Service Agreement (NGV). The costs associated with all operation and/or maintenance of CNG fueling facilities located on Customer's property by the Company shall be charged to the Customer as a pass through of actual costs incurred by the Company. The Company may require separate electric metering in instances where the Customer *requests that the Company be responsible for contracting of electric supply for the CNG fueling facilities, and the Company agrees to do so.*

Revisions have also been incorporated into the Standard Gas Service Agreement (NGV) to allow for the election of a Company constructed CNG fueling facility on customer property, to identify the Facilities Charge and MACF and to elect either pass through of station operating and maintenance charges incurred by the Company or direct payment of such charges by the customer.

General Service – Large Volume (GSG-LV) at Tariff Sheet Nos. 14-18

Changes were made to the General Service – Large Volume (GSG-LV) tariff sections to account for how a customer may demonstrate its alternative fuel capability to coincide with actual Company/Customer practices.

Large Volume Service (LVS) at Tariff Sheets Nos. 27-32

"LVS Year" was previously referenced, but undefined. Therefore, a definition was added consistent with the term year used elsewhere in the tariff.

Interruptible Gas Service (IGS) at Tariff Sheets Nos. 57-61

The reference to No. 4 Fuel Oil was removed, as pricing terms are no longer available.

Temperature Adjustment Clause – Rider F at Tariff Sheets No. 79-80

Paragraph (c) of Rider "F" – Temperature Adjustment Clause ("TAC") contains the normal degree days by month, using a 20-year average for use in the TAC based on information obtained from National Oceanic and Atmospheric Administration ("NOAA") and calculated as approved in the Company's 2010 base rate case (Docket No. GR10010035). This paragraph has been updated to reflect the normal degree days by month based on an updated 20-year average based on information obtained from NOAA and calculated in this proceeding.

<u>Conservation Incentive Program – Rider M at Tariff Sheet Nos. 103-104</u>

Paragraph (b) of Rider "M"- Conservation Incentive Program contains the Baseline Usage per Customer ("BUC") by month by Customer Class Group. This table has been updated to reflect the new BUC volumes by Customer Class Group.

Paragraph (g) contains the calculation for determining the Return on Equity (ROE) cap. The ROE cap has been updated to reflect the Company's proposed ROE, which is addressed in Mr. Moul's Direct Testimony (Exhibit P-8).

<u>General Terms and Conditions at Original Tariff Sheet Nos. 108-129</u>

South Jersey is also proposing to make miscellaneous changes to the General Terms and Conditions of its Tariff.

<u>Standard Gas Service Agreements (GS)/(LV)/(FES) at Tariff Sheets Nos. 130-137, 150-153.</u>

Modifications were made to the Company's Standard Gas Service Agreements to reflect current, Company practice and in some instances, to clarify language that was potentially confusing to the Customer. Specifically, the following modifications were incorporated:

- SGSA (GS): Since the Company no longer offers capacity assignment, this language was removed. In addition, reference to NGV was removed now that the tariff includes a separate NGV tariff section.
- SGSA (LV): Reference to capacity assignment was eliminated and several other provisions were moved around, but not eliminated, for clarity.

- SGSA (FES): An opt-out provision was added to account for inclusion of Firm Transportation Customers.

Appendix A

Appendix A has been updated to include the rate components proposed by the Company in this proceeding and has been restructured for ease of understanding.

IX. CONCLUSION

By the conclusion of this case, South Jersey will have prudently invested approximately $518 million in utility plant in service since its last base rate case, excluding its SHARP and AIRP investments, (a 27% increase above June 2014 UPIS) to ensure that our customers continue to receive safe and reliable natural gas service at a reasonable price. South Jersey also will have prudently invested an additional $250 million under our SHARP and AIRP programs. A primary driver for rate relief in this proceeding is the value of South Jersey's investments in our infrastructure and our ability to earn a reasonable return on those investments. Many of these investments are driven by South Jersey’s support of the goals set forth in the New Jersey Energy Master Plan. The Company’s proposals in this case are just and reasonable, and should be adopted by the Board. Doing so will send a proper signal to the financial community regarding New Jersey’s regulatory environment and the financial health and stability of the Company.

Q. Does this conclude your prepared direct testimony?

A. Yes, it does.

South Jersey Gas Company
Summary of Revenue Requirement

Line No.			REFERENCE
1			
2	Rate Base Test Year Ended August 2017	$1,635,111,330	KJB-2
3			
4	Rate of Return	7.66%	
5			
6	Required Operating Income	125,249,528	
7			
8	Net Operating Income Test Year Ended August 2017	74,526,488	KJB-3
9			
10	Income Deficiency	50,723,040	
11			
12	Revenue Factor	1.85	KJB-4
13			
14	Revenue Requirement	$93,710,905	
15			
16	Revenue Requirement without Sales and Use Tax	$87,682,718	
17			
18	Revenue Requirement Rolled-In From:		
19	Storm Hardening & Reliability Program (SHARP)	(3,073,366)	
20	Accelerated Infrastructure Replacement Program (AIRP II)	(4,418,097)	
21	Conservation Incentive Program (CIP)	(5,316,518)	DPY-3
22			
23	Requested Additional Operating Revenue	$74,874,738	

South Jersey Gas Company
Statement of Rate Base
At August 31, 2017

Line No.		Rate Base 11/30/2016	Adjustment	Rate Base Test Year 8/31/2017	Pro Forma Adjustment	Adjusted Rate Base	Reference To Ratemaking Adjustments
1	**Utility Plant In Service**	$ 2,320,965,939	130,893,650	$2,451,859,589	$82,507,579	$2,534,367,169	TSK-13
2	**Accumulated Depreciation & Amortization**	(461,562,681)	(26,041,150)	(487,603,831)	3,995,250	(483,608,581)	TSK-13
3	**Non-Legal ARO**	(30,147,694)	795,098	(29,352,596)	0	(29,352,596)	
4							
5	**Net Utility Plant**	1,829,255,564	105,647,598	1,934,903,162	86,502,830	2,021,405,991	
6							
7							
8	**Materials & Supplies**	940,936	0	940,936	0	940,936	
9	**Gas Inventory:**						
10	**Natural Gas Stored**	7,750,418	2,181,476	9,931,894	0	9,931,894	KJB-2 WP1
11	**LNG Stored**	3,181,785	(986,667)	2,195,118	0	2,195,118	KJB-2 WP2
12	**Cash Working Capital**	62,448,391	0	62,448,391	50,000,678	112,449,069	
13	**Customer Deposits**	(8,021,650)	(73,513)	(8,095,163)	(116,467)	(8,211,629)	KJB-19
14	**Unclaimed Customer Deposits**	(312,824)	0	(312,824)	0	(312,824)	
15	**Customer Advances**	(1,609,429)	0	(1,609,429)	0	(1,609,429)	
16	**Deferred Income Taxes:**						
17	**Excess Protected ADIT**	(1,347,902)	0	(1,347,902)	0	(1,347,902)	
18	**Federal Income Tax**	(384,189,994)	(39,820,134)	(424,010,128)	(10,249,729)	(434,259,857)	TSK-12A
19	**NJ CBT**	(61,796,535)	(4,241,715)	(66,038,250)	(31,787)	(66,070,037)	TSK-12B
20							
21	**Total Rate Base**	$1,446,298,760	$62,707,044	$1,509,005,805	$126,105,525	$1,635,111,330	

SOUTH JERSEY GAS COMPANY
ADJUSTED TEST YEAR INCOME STATEMENT
TWELVE MONTHS ENDED AUGUST 31, 2017

Line No.		3 MONTHS ACTUAL DATA	9 MONTHS PROJECTED DATA	TEST YEAR ENDED 8/31/2017	PRO FORMA ADJUSTMENTS	ADJUSTED TEST YEAR 8/31/2017	REFERENCE TO PRO FORMA ADJUSTMENTS
1	**Operating Revenues:**						
2							
3	**Gas Sales Revenues**	$79,474,000	$337,712,700	$417,186,700	($16,301,842)	$400,884,858	KJB-5
4	**Other Gas Revenues**	$14,472,700	$56,272,200	$70,744,900		$70,744,900	
5							
6	**Total Operating Revenues**	$93,946,700	$393,984,900	$487,931,600	($16,301,842)	$471,629,758	
7							
8	**Operating Expenses:**						
9							
10	**Purchased Gas**	$37,626,500	$149,168,300	$186,794,800	($3,739,537)	$183,055,263	KJB-5
11							
12	**Oper. & Maint. Exps.**	$26,464,800	$96,640,100	$123,104,900	($2,199,027)	$120,905,873	KJB-14
13							
14	**Depreciation**	$11,859,100	$38,821,900	$50,681,000	$5,616,337	$56,297,337	TSK-13
15							
16	**Taxes Other Than Income Taxes**	$950,700	$2,858,700	$3,809,400	$246,331	$4,055,731	KJB-20, KJB-21
17							
18	**Federal Income Taxes & NJ CBT**	$5,013,300	$34,670,400	$39,683,700	($6,927,481)	$32,756,219	TSK-14
19							
20	**Investment Tax Cr. - Net**	$0	$0	$0	$0	$0	
21							
22	**Total Operating Expenses**	$81,914,400	$322,159,400	$404,073,800	($7,003,377)	$397,070,423	
23							
24	**Net Operating Income**	$12,032,300	$71,825,500	$83,857,800	($9,298,465)	$74,559,335	
25							
26	**Ratemaking Adjustment:**						
27	**Interest on Customer Deposit**	$2,381	$22,332	$24,713	$8,133	$32,847	KJB-19
28							
29							
30	**Adjusted Net Operating Income**	$12,029,919	$71,803,168	$83,833,087	($9,306,598)	$74,526,488	

South Jersey Gas Company
Derivation of Revenue Factor

Line No.			
1	Components:		
2			
3	Sales and Use Tax (SUT)	6.875%	
4			
5	Public Utility Assessment Tax (PUA)	0.2505%	
6			
7	Bad Debt Provision (Bad Debt)	1.9945%	
8			
9	Federal Income Tax (FIT)	35.0000%	
10			
11	CBT	9.0000%	
12			
13	Operating Revenue	1.0000	
14			
15			
16	Revenue Factor Calculation:	1.84750	
17			
18			
19		$\left[\frac{1}{1-[(.65*.09)+.35]}\right]$ *1.9945*1.002505*1.06875=	1.84750
20			
21			
22			

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SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENT TO AUGUST 31, 2017 OPERATING INCOME
SUMMARY OF PRO FORMA REVENUE ADJUSTMENTS

Line No.		Dt Adjustments	Revenue Adjustments	Cost of Gas Adjustments	Reference
1	AIRP Revenue Adjustment	N/A	$1,888,864	N/A	KJB-6
2	SHARP Revenue Adjustment	N/A	$103,396	N/A	KJB-6
3	EET Revenue Adjustment	N/A	($5,693,600)	N/A	KJB-7
4	Interruptible, Off-System Sales & SIM Adjustme	N/A	($11,491,276)	($5,614,894)	KJB-8
5	Customer Annualization	(62,972)	($453,748)	($289,594)	KJB-19
6	Sales from Post Test Year Plant Additions	449,303	$5,141,764	$2,267,538	KJB-10
7	Contract Changes	(243,360)	($480,724)	($102,587)	KJB-13
8	CIP Revenue Adjustment	(1,393,267)	($5,316,518)	N/A	DPY-3
9	Total Firm Revenue Adjustments	(1,250,295)	(16,301,842)	(3,739,537)	

Note: Cost of Gas adjustments include the applicable clauses

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SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENT TO AUGUST 31, 2017 OPERATING INCOME
SHARP & AIRP REVENUE ADJUSTMENT

Line No.		2016 Actual September	2016 Actual October	2016 Actual November	2016 Projected December	2017 Projected January	2017 Projected February	2017 Projected March	2017 Projected April	2017 Projected May	2017 Projected June	2017 Projected July	2017 Projected August	TOTAL
1	SHARP Roll In Revenue	$ 103,396	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 103,396
2	AIRP Roll In Revenue	$ 290,538	$ 522,767	$ 1,075,559	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,888,864
3	Total Revenue Adjustment	$ 393,934	$ 522,767	$ 1,075,559	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,992,260

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENT TO AUGUST 31, 2017 OPERATING INCOME
ENERGY EFFICIENCY TRACKER

Line No.		2016 Actual September	2016 Actual October	2016 Actual November	2016 Projected December	2017 Projected January	2017 Projected February	2017 Projected March	2017 Projected April	2017 Projected May	2017 Projected June	2017 Projected July	2017 Projected August	TOTAL
1	**EET Revenue Adjustment**	$ 455,900	$ 552,500	$ 469,000	$ 523,400	$ 483,800	$ 483,800	$ 486,800	$ 426,100	$ 431,100	$ 475,800	$ 435,500	$ 469,900	$ 5,693,600
2	**EET O&M Expenses Adjustment**	$ 69,300	$ 163,500	$ 86,500	$ 133,700	$ 64,000	$ 84,400	$ 100,800	$ 59,100	$ 63,300	$ 112,000	$ 74,400	$ 111,300	$ 1,122,300
3	**EET Amortization Adjustment**	$ 75,800	$ 80,500	$ 78,400	$ 78,300	$ 82,500	$ 68,900	$ 63,300	$ 39,600	$ 39,600	$ 37,900	$ 37,900	$ 33,000	$ 715,700

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENT TO AUGUST 31, 2017 OPERATING INCOME
TEST YEAR INTERRUPTIBLE AND OFF-SYSTEM SALES, AND STORAGE INCENTIVE MECHANISM

Line No.		Test Year Ending 8/31/2017	Pro Forma Adjustment	Revenue in Test Year	Amounts Deferred
1	Revenues	$76,608,510	($11,491,276)	$65,117,233	($65,117,233)
2	Cost of Gas	$45,738,786	($5,614,894)	$40,123,892	($40,123,892)
3	PUA Tax	$425	($64)	$361	($361)

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO AUGUST 31, 2017 OPERATING INCOME
CUSTOMER ANNUALIZATION

Line No.		Annualized		
		Dt	Revenue	Cost of Gas
1	Residential (RSG)			
2	Heating Sales Service (480.11)	35,773	$457,932	$176,132
3	Non-Heating Sales Service (480.12)	3,882	$53,892	$17,146
4	Sub-Total	39,655	$511,824	$193,278
5	General Service (GSG)			
6	Commercial Non-Heating Sales Service (481.21)	12,668	$130,765	$59,735
7	Commercial Heating Sales Service (481.31)	(114,722)	($1,088,749)	($537,747)
8	Industrial Heating Sales Service (481.32)	(1,226)	($11,449)	($5,768)
9	Transportation Commercial Non-Heating (489.821)	324	$2,123	$451
10	Transportation Commercial Heating (489.831)	(739)	($4,623)	($1,031)
11	Transportation Industrial Heating (489.832)	1,069	$6,361	$1,488
12	Sub-Total	(102,626)	($965,572)	($482,872)
13	**Total Adjustment**	**(62,972)**	**($453,748)**	**($289,594)**

SOUTH JERSEY GAS COMPANY
CUSTOMER COUNTS
SEPTEMBER 2016 - AUGUST 2017

		Actual Sep-16	Actual Oct-16	Actual Nov-16	Projected Dec-16	Projected Jan-17	Projected Feb-17	Projected Mar-17	Projected Apr-17	Projected May-17	Projected Jun-17	Projected Jul-17	Projected Aug-17
480.11 RES SERV SALES - HSE HTG	RSG Heat	311,480	312,168	313,328	314,577	315,805	316,353	316,674	316,516	316,396	316,246	316,013	315,986
480.12 RES SERV SALES W/O HSE HTG	RSG Non-Heat	10,975	10,932	10,910	10,916	10,777	10,778	10,818	10,897	11,036	11,086	11,092	11,085
490.21 RTS HSE HTG	RSG Trans Heat	26,445	26,263	25,932	25,932	26,445	26,445	26,445	26,445	26,445	26,445	26,445	26,445
490.22 RTS W/O HSE HTG	RSG Trans Non-Heat	1,031	1,023	1,014	1,014	1,031	1,031	1,031	1,031	1,031	1,031	1,031	1,031
481.31 BLDG HTG & COOL COMMERCIAL	Commercial Heat	16,343	16,457	16,642	16,851	17,278	17,347	17,372	17,306	17,118	16,960	16,844	16,790
481.21 GEN SERV SALES COMMERCIAL	Commercial Non-Heat	1,462	1,432	1,412	1,396	1,363	1,360	1,382	1,438	1,480	1,485	1,483	1,480
481.32 BLDG HTG & COOL INDUSTRIAL	Industrial Heat	259	261	266	266	259	259	259	259	259	259	259	259
481.22 GEN SERV SALES INDUSTRIAL	Industrial Non-Heat	13	13	13	13	13	13	13	13	13	13	13	13
489.831 COMM BLDG HTG & COOL	Commercial Trans Heat	5,842	5,849	5,847	5,847	5,842	5,842	5,842	5,842	5,842	5,842	5,842	5,842
489.821 COMM GEN SERV	Commercial Trans Non-Heat	388	387	383	383	388	388	388	388	388	388	388	388
489.832 IND BLDG HTG & COOL	Industrial Trans Heat	87	85	82	82	87	87	87	87	87	87	87	87
489.822 IND GEN SERV	Industrial Trans Non-Heat	4	4	4	4	4	4	4	4	4	4	4	4
481.63 GSG-LV COMMERCIAL HEAT	Commercial LV Heat	25	25	26	26	40	40	40	40	40	40	40	40
481.61 GSG-LV COMMERCIAL	Commercial LV Non-Heat	1	1	1	1	-	-	-	-	-	-	-	-
481.64 GSG-LV INDUSTRIAL HEAT	Industrial LV Heat	3	3	3	3	1	1	1	1	1	1	1	1
481.62 GSG-LV INDUSTRIAL	Industrial LV Non-Heat	1	1	1	2	1	1	1	1	1	1	1	1
489.867 GSG-LV FT COMMERCIAL HEAT	Comm LV Trans Heat	138	138	140	140	112	112	112	112	112	112	112	112
489.865 GSG-LV FT COMMERCIAL	Comm LV Trans Non-Heat	1	1	1	1	1	1	1	1	1	1	1	1
489.868 GSG-LV FT INDUSTRIAL HEAT	Ind LV Trans Heat	6	6	6	6	7	7	7	7	7	7	7	7
489.866 GSG-LV FT INDUSTRIAL	Ind LV Trans Non-Heat	2	2	2	2	2	2	2	2	2	2	2	2

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO AUGUST 31, 2017 OPERATING INCOME
SALES FROM POST TEST YEAR UTILITY PLANT ADDITIONS

Line No.		Dt	Revenue	Cost of Gas
1	Residential Heat (480.11)	292,004.0	$3,511,722	$1,488,456
2	Residential Non-Heat (480.12)	3,884.0	$59,849	$18,114
3	Gen. Serv. Comm Heat (481.31)	153,415.4	$1,570,192	$760,968
4	Pro-Forma Adjustment	449,303.4	$5,141,764	$2,267,538

SOUTH JERSEY GAS COMPANY
REVENUE PRODUCING UTILITY PLANT
SEPTEMBER 2017 - FEBRUARY 2018

Projected Post Test Year Gross Customer Additions

	2017 Sept	2017 Oct	2017 Nov	2017 Dec	2018 Jan	2018 Feb	6 Months Total	Dts Per Customer	Annualized Dts
Residential Heat	674	710	637	745	664	452	3,882	75.22	292,004.0
Residential Non-Heat	29	26	32	41	32	27	187	20.77	3,884.0
General Service Gas	53	81	73	86	78	55	426	360.13	153,415.4

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SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO AUGUST 31, 2017 OPERATING INCOME
CONTRACT CHANGES

		Annual Dt Sales			Annual Revenue			
Line No.	Customer I.D.	Test Year	After Contract Change	Adjustment	Test Year	After Contract Change	Adjustment	Cost of Gas Adjustment
1	**CTS Customers**							
2	Customer A	3,803	0	(3,803)	$17,833	$0	($17,833)	($1,652)
3	Customer B	7,681	0	(7,681)	$21,150	$0	($21,150)	($3,384)
4	Customer C	64,305	37,778	(26,528)	$137,177	$78,478	($58,699)	($11,708)
5	Customer D	192,232	132,221	(60,011)	$407,703	$255,414	($152,289)	($26,395)
6	**LVS-FT Customers**							
7	Customer E	145,337	0	(145,337)	$230,753	$0	($230,753)	($59,449)
8	Pro Forma Adjustment			(243,360)			($480,724)	($102,587)

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENT TO AUGUST 31, 2017 OPERATING INCOME
SUMMARY OF PRO FORMA O&M ADJUSTMENTS

Line No.			Amount	Reference
1	EET Expense	$	(1,122,300)	KJB-7
2	EET Amortization Expense	$	(715,700)	KJB-7
3	PIM Expense & Carrying Cost	$	1,580,182	KJB-15
4	Payroll Adjustment	$	724,399	KJB-16
5	Employee Benefit Adjustment	$	169,504	KJB-17
6	Amortization Expense Adjustment	$	(3,638,475)	KJB-18
7	Mortality Table Amortization	$	154,315	TSK-15
8	Pension Expense	$	649,049	TSK-15
9	**Total O&M Adjustments**	**$**	**(2,199,027)**	

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENT TO AUGUST 31, 2017 OPERATING INCOME
OPERATION AND MAINTENANCE EXPENSE - INTEGRITY MANAGEMENT

Line No.		Expense
1	Pipeline Integrity Management Deferred Balance at August 31, 2017	$ 4,740,545
2	**Pro-Forma Adjustment - Three Year Amortization of Deferred Expense**	**$ 1,580,182**

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SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENT TO AUGUST 31, 2017 OPERATING INCOME
PAYROLL EXPENSE

Line No.			
1	Payroll Expenses:		
2			
3	Annualized Payroll Expenses	$30,862,556	
4	Less: Test Year Payroll Expenses	$30,189,636	
5			
6	Pro Forma Payroll Adjustment		$ 672,920
7			
8	FICA Adjustment		51,478
9			
10	**Total Pro Forma Payroll Adjustment**		**$ 724,399**

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENT TO AUGUST 31, 2017 OPERATING INCOME
OPERATION & MAINTENANCE EXPENSE - PAYROLL INCREASE

Line No.	Month	Base Wages	Additions	Separations	Net Wages	Annualized Wages
1	September 2016 - Actual	$2,333,786	$125,676	(5,873)	$2,453,589	$2,527,196
2	October - Actual	$2,233,806	$92,295	(5,482)	$2,320,619	$2,390,238
3	November - Actual	$2,350,924	$50,430	(4,669)	$2,396,685	$2,468,586
4	December 2016 - Projected	$3,585,957	$41,644	0	$3,627,601	$3,736,430
5	January 2017 - Projected	$2,401,969	$34,325	0	$2,436,294	$2,436,684
6	February - Projected	$2,302,205	$9,189	0	$2,311,394	$2,311,785
7	March - Projected	$2,776,419	$2,378	0	$2,778,797	$2,779,187
8	April - Projected	$2,289,162	$373	0	$2,289,535	$2,289,925
9	May - Projected	$2,434,750	$356	0	$2,435,106	$2,435,496
10	June - Projected	$2,393,408	$373	0	$2,393,781	$2,394,171
11	July - Projected	$2,366,160	$0	0	$2,366,160	$2,366,550
12	August - Projected	$2,721,091	$0	0	$2,721,091	$2,721,481
13	**Totals**	**$30,189,636**	**$357,039**	**(16,024)**	**$30,530,651**	**$30,857,730**

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENT TO AUGUST 31, 2017 OPERATING INCOME
EMPLOYEE BENEFITS EXPENSE

Line No.			
1	Employee Benefits Expenses:		
2			
3	Annualized Benefit Expenses	$4,896,528	
4	Less: Test Year Health Ins Expenses	$4,727,025	
5			
6	**Pro Forma Benefits Adjustment**		**$ 169,504**

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SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENT TO AUGUST 31, 2017 OPERATING INCOME
OPERATION AND MAINTENANCE EXPENSE - AMORTIZATIONS

Line No.	Category		Expense
1	Rate Case Expense Amortization - 2013 Rate Case	$	(206,399)
2	Hurricane Sandy Amortization - 2013 Rate Case	$	(245,593)
3	Management Audit Exp Amortization - 2013 Rate Case	$	(208,333)
4	PIM Expense & Carrying Cost - 2013 Rate Case	$	(1,055,992)
5	AIRP Equity Tax Loss Amortization - 2013 Rate Case	$	(1,296,334)
6	Total 2013 Rate Case Amortizations	$	(3,012,651)
7	AIRP Equity Tax Loss Amortization - 2016 Roll-In	$	(774,241)
8	2017 Rate Case Expense Amortization	$	148,417
9	**Pro Forma Adjustment**	**$**	**(3,638,475)**

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

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	**Test Year Interest Calculation**								
2									
3									
4									
5									
6									
7	Sep-16	Actual	374,506	37,218	9.94%	$233	$8,667,963	0.11%	$847
8	Oct-16	Actual	375,051	36,012	9.60%	$228	$8,214,581	0.11%	$762
9	Nov-16	Actual	376,013	35,544	9.45%	$226	$8,021,650	0.11%	$773
10	Dec-16	Projected	377,462	35,670	9.45%	$226	$8,050,120	0.11%	$752
11	Jan-17	Projected	379,456	35,859	9.45%	$226	$8,092,646	0.40%	$2,749
12	Feb-17	Projected	380,071	35,917	9.45%	$226	$8,105,762	0.40%	$2,487
13	Mar-17	Projected	380,479	35,955	9.45%	$226	$8,114,463	0.40%	$2,757
14	Apr-17	Projected	380,390	35,947	9.45%	$226	$8,112,565	0.40%	$2,667
15	May-17	Projected	380,263	35,935	9.45%	$226	$8,109,857	0.40%	$2,755
16	Jun-17	Projected	380,010	35,911	9.45%	$226	$8,104,461	0.40%	$2,664
17	Jul-17	Projected	379,665	35,878	9.45%	$226	$8,097,103	0.40%	$2,751
18	Aug-17	Projected	379,574	35,870	9.45%	$226	$8,095,163	0.40%	$2,750
19									
20							**Total Test Year (Sept - Aug) Interest**		**$24,713**
21	**Post-Test Year Annualization of Interest**								
22									
23	Feb-18	Projected	385,035	36,386	9.45%	$226	$8,211,629	0.40%	$32,847
24									
25									

Line No.	Rate Base Test Year Adjustment		Rate Base PTY Pro-Forma Adjustment		Income Statement Interest Pro-Forma	
27						
28	Deposits at November 30, 2016	$8,021,650	Deposits at August 31, 2017	$8,095,163	Test Year Interest	$24,713
29						
30	Deposits at August 31, 2017	$8,095,163	Deposits at February 28, 2018	$8,211,629	Annualization of Interest	$32,847
31						
32	**Test Year Adjustment**	**$73,513**	**Pro-Forma Adjustment**	**$116,467**	**Pro-Forma Adjustment**	**$8,133**

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO AUGUST 31, 2017 OPERATING INCOME
OTHER EXPENSES - REVENUE TAXES

Line No.		
1	**PUA Adjustments**	
2	CIP Revenue Adjustment (KJB-5)	($5,316,518)
3	Customer Annualization (KJB-5)	($453,748)
4	Sales from Post Test Year Plant Additions (KJB-5)	$5,141,764
5	Contract Changes (KJB-5)	($480,724)
6	Interruptible Sales Revenue Adjustment (KJB-8)	($43,482)
7	EET Revenue Adjustment (KJB-5)	($5,693,600)
8	Total Revenue Adjustments	($6,846,308)
9	PUA Tax Rate	0.002505
10	**Pro Forma Adjustment to PUA Taxes**	**($17,150)**

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO AUGUST 31, 2017 OPERATING INCOME
OTHER EXPENSES - BPU & PUBLIC ADVOCATE ASSESSMENT
($000)

Line No.		BPU Assessment	Public Advocate Assessment	Total
1	Year 2015 Intrastate Revenues	$ 474,370	$ 474,370	
2	Estimated Assessment Rate	$0.002034	$ 0.000471	$0.002505
3				
4	Estimated Assessment	$ 965	$ 223	$ 1,188
5	Less: Assessment included in Test Year			
6	Operating Expenses	$ 757	$ 168	$ 925
7				
8	**Pro Forma Adjustment to PUA Taxes**	**$ 208**	**$ 55**	**$ 263**

SOUTH JERSEY GAS COMPANY
Income Statement by Month
Test Year SEPTEMBER 2016 - AUGUST 2017
(Thousands Where Applicable)

Description	2016 September Actual	2016 October Actual	2016 November Actual	2016 December Projected	2017 January Projected	2017 February Projected	2017 March Projected	2017 April Projected	2017 May Projected	2017 June Projected	2017 July Projected	2017 August Projected	Test Year Total
Operating Revenues													
Gas Sales Revenues	16,625	21,452	41,397	55,223	70,238	61,903	53,398	28,352	20,628	16,149	16,002	15,820	417,187
Other Gas Revenues	3,744	4,104	6,624	8,530	9,322	8,575	7,337	5,398	4,201	4,590	3,769	4,549	70,745
Total Oper Revenues	20,369	25,556	48,021	63,753	79,560	70,478	60,735	33,751	24,829	20,740	19,771	20,370	487,932
Operating Expenses													
Purchased Gas	8,029	8,758	20,840	22,806	31,411	27,499	24,486	12,063	8,549	7,269	7,198	7,887	186,795
Oper and Maint Exps													
Production	835	835	958	964	963	958	964	958	965	963	960	964	11,286
Transmission	462	389	468	542	512	441	494	448	473	462	455	477	5,623
Distribution	1,515	1,673	1,704	1,919	1,358	1,409	1,812	1,453	1,456	1,548	1,415	1,701	18,962
Customer Accounting	3,476	1,693	1,197	3,112	1,245	1,319	2,302	1,645	1,904	1,247	1,869	1,848	22,857
Conservation Program	235	258	393	1,608	2,208	1,978	1,982	923	988	921	859	715	13,068
Sales	128	74	99	325	210	91	397	96	98	361	94	98	2,069
Customer Services	0	0	0	0	0	0	0	0	0	0	0	0	0
EET Programs	145	244	165	212	147	153	164	99	103	150	112	144	1,838
Adm & General	3,136	2,868	3,516	6,606	3,918	3,679	4,244	3,708	3,851	4,102	3,759	4,016	47,403
Total Oper & Maint Exps	9,931	8,034	8,500	15,288	10,560	10,028	12,358	9,330	9,838	9,753	9,523	9,963	123,105
Depreciation	3,929	3,952	3,978	4,193	4,237	4,248	4,261	4,315	4,329	4,343	4,440	4,456	50,681.0
Taxes other than Income Taxes	295	314	342	330	379	342	430	268	282	289	262	277	3,809.4
Fed Inc Taxes - Curr	(4,539)	(3,546)	(202)	5,128	6,098	4,676	1,807	(1,608)	(3,381)	(4,297)	(4,471)	(4,644)	(8,976.8)
- Def.	3,615	4,551	4,295	694	3,442	3,442	3,442	3,442	3,442	3,442	3,442	3,442	40,693.7
New Jersey Corp. Business Tax	(229)	265	803	1,569	2,511	2,132	1,373	458	(19)	(245)	(300)	(351)	7,966.8
Investment Tax Cr.-Net	0	0	0	0	0	0	0	0	0	0	0	0	0.0
Total Oper Expenses	21,032	22,328	38,555	50,008	58,638	52,367	48,158	28,268	23,041	20,555	20,094	21,031	404,074
Net Operating Expense	(662)	3,228	9,466	13,745	20,922	18,110	12,578	5,483	1,788	184	(323)	(661)	83,858
Ratemaking Adjustment:													
Interest on Customer Deposit	1	1	1	1	3	2	3	3	3	3	3	3	25
Adjusted Net Operating Income	(663)	3,228	9,465	13,744	20,919	18,108	12,575	5,480	1,785	182	(326)	(664)	83,833

TARIFF FOR GAS SERVICE

Filed With

State of New Jersey

Board of Public Utilities

SOUTH JERSEY GAS COMPANY

GENERAL OFFICES

Number One South Jersey Plaza

Folsom, NJ 08037

TABLE OF CONTENTS

LIST OF COMMUNITIES SERVED

ATLANTIC COUNTY

Absecon, City of
Atlantic City
Brigantine City
Buena Boro
Buena Vista Township
Egg Harbor City
Egg Harbor Township
Estell Manor, –City of
Folsom Boro
Galloway Township
Hamilton Township
Hammonton, Town of
Linwood, City of
Longport Boro
Margate City
Mullica Township
Northfield, City of
Pleasantville, City of
Port Republic, City of
Somers Point, -City of
Ventnor City
Weymouth Township

BURLINGTON COUNTY

Evesham Township
Medford Lakes Boro
Medford Township
Shamong Township
Southampton Township
Tabernacle Township
Woodland Township

CAMDEN COUNTY

Barrington Boro
Berlin Boro
Berlin Township
Cherry Hill Township
Chesilhurst Boro
Clementon Boro
Gibbsboro Boro
Gloucester Township
Hi-Nella Boro
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Lawnside Boro
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Magnolia Boro
Pine Hill Boro
Runnemede Boro
Somerdale Boro
Stratford Boro
Voorhees Township
Waterford Township
Winslow Township

LIST OF COMMUNITIES SERVED
(Continued)

CAPE MAY COUNTY

Avalon Boro	Sea Isle City
Cape May City	Stone Harbor Boro
Cape May Point Boro	Upper Township
Dennis Township	West Cape May Boro
Lower Township	West Wildwood Boro
Middle Township	Wildwood City
North Wildwood City	Wildwood Crest Boro
Ocean City	Woodbine Boro

CUMBERLAND COUNTY

Bridgeton, City of	Lawrence Township
Commercial Township	Maurice River Township
Deerfield Township	Millville, City of
Downe Township	Shiloh Boro
Fairfield Township	Stow Creek Township
Greenwich Township	Upper Deerfield Township
Hopewell Township	Vineland, City of

GLOUCESTER COUNTY

Clayton Boro	Newfield Boro
Deptford Township	Paulsboro Boro
East Greenwich Township	Pitman Boro
Elk Township	South Harrison Township
Franklin Township	Swedesboro Township
Glassboro Boro	Washington Township
Greenwich Township	Wenonah Boro
Harrison Township	West Deptford Township
Logan Township	Woodbury, City of
Mantua Township	Woodbury Heights Boro
Monroe Township	Woolwich Township

SALEM COUNTY

Alloway Township	Pennsville Township
Carneys Point Township	Pilesgrove Township
Elmer Boro	Pittsgrove Township
Elsinboro Township	Quinton Township
Mannington Township	Salem, City of
Oldmans Township	Upper Pittsgrove
Penns Grove Boro	Woodstown Boro

South Jersey Gas
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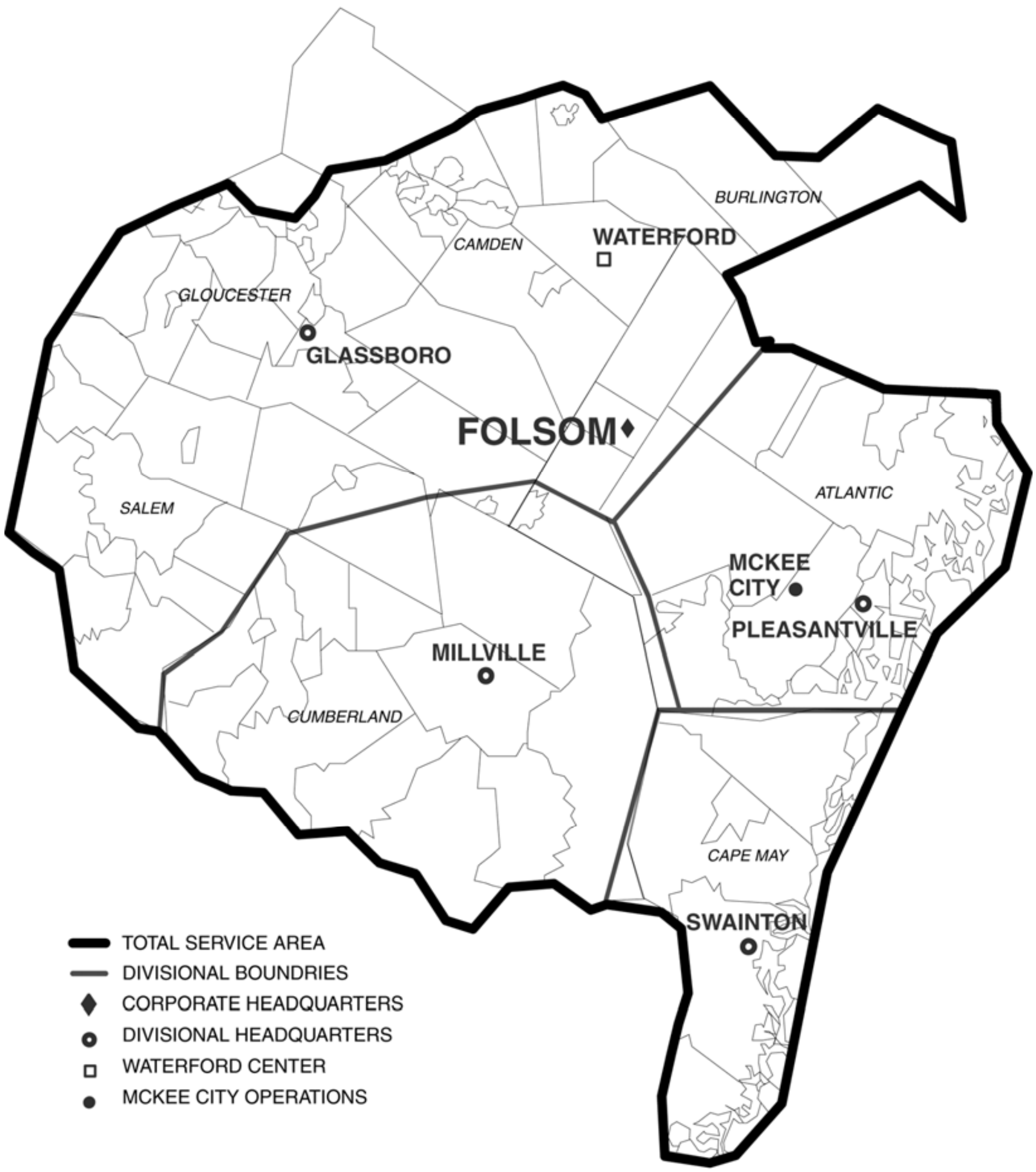
Service Area and Divisional Boundries



Issued January 27, 2017
by South Jersey Gas Company,
D. Robbins, Jr., President

Effective with service rendered
on and after February 28, 2017

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

RESIDENTIAL SERVICE (RSG)

APPLICABLE TO USE OF SERVICE FOR:

All residential purposes. Customer may elect Firm Sales Service or Firm Transportation Service. To be eligible for Firm Transportation Service RSG, a customer must hold clear and marketable title to gas that is made available for delivery to the customer's residence on the Company's system.

CHARACTER OF SERVICE Firm Sales Service and Firm Transportation Service.

MONTHLY RATE: (1)

Customer Charge: $13.0921889.618800 per month

Delivery Charge:

~~(a)~~ Residential Non-Hearting Customers Firm ~~All consumption for customers who elected to~~

(a) ~~transfer from Firm~~ Sales Service ~~to~~and Firm Transportation Service $.890857~~674807~~ per therm

(b) Residential Heating Customers
Firm ~~All consumption for customers who~~
~~elect Firm~~ Sales Service and Firm Transportation Service $.937187~~674807~~ per therm

Basic Gas Supply Service ("BGSS") Charge:

All consumption for customers who elect Firm Sales Service. See Rider "A" of this Tariff.

APPLICABLE RIDERS:

Basic Gas Supply Service Clause:	BGSS charges are depicted in Rider "A" of this Tariff.
Transportation Initiation Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "C" of this Tariff.
Societal Benefits Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "E" of this Tariff.
Temperature Adjustment Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "F" of this Tariff.

1) Please refer to Appendix A for components of Monthly Rates and Price to Compare

RESIDENTIAL SERVICE (RSG)
(Continued)

Balancing Service Clause	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "J" of this Tariff.
Conservation Incentive Program	The rates set forth above have been adjusted, as is appropriate, pursuant to ~~CIP charges are depicted in~~ Rider "M" of this Tariff.
Energy Efficiency Tracker	The rates set forth above have been adjusted, ~~are subject to adjustment,~~ as is appropriate, pursuant to Rider "N" of this Tariff.

TERMS OF PAYMENT:

Payment of all bills must be received in full at the Company's designated office within fifteen (15) days of the billing date.

LINE LOSS:

Line Loss shall be 1.43% as provided in Special Provision (l).

TERM:

Customer must provide Company with adequate notice to discontinue service.

TERMS AND CONDITIONS:

The General Terms and Conditions of this Tariff are incorporated into this rate schedule and this rate schedule shall be interpreted in accordance therewith.

SPECIAL PROVISIONS:

(a) A customer receiving service under this rate schedule may use natural gas to heat water for recreational and therapeutic equipment (including but not limited to swimming pools, hot tubs or similar equipment), subject to the Board's policy regarding such use.

(b) To be eligible for Firm Transportation Service under this Rate Schedule RSG a Firm Transportation Service customer must be part of an aggregated group ("Aggregated Group") of customers, utilizing the services of an Aggregator/Marketer pursuant to an executed Aggregator/Marketer's Agreement.

(c) The Company will not accept gas for the account of a Firm Transportation Service customer for delivery that will: (1) adversely impact the Company's rights to current or future supply or transportation allocations; or (2) impose any financial or burdensome administrative obligation on the Company that would not have existed without acceptance of such delivery by the Company.

RESIDENTIAL SERVICE (RSG)
(Continued)

(d) The Aggregator/Marketer for a Firm Transportation Service customer shall be required to reimburse the Company for any out-of-pocket expenses incurred in connection with the initiation and rendering of service under this Rate Schedule RSG. If the Company has accepted gas for delivery under this Rate Schedule RSG and as a result thereof it incurs any financial or burdensome administrative obligation, the Company may impose a surcharge upon the Aggregator/Marketer therefore.

(e) For Firm Transportation Service customers, the Company may waive any charges associated with imbalances, in its sole reasonable discretion, if the Aggregator/Marketer demonstrates good cause for such imbalances, if the Aggregator/Marketer presents a plan for eliminating such imbalances, and such plan will not adversely impact service to other customers. The Company may require that such plan be implemented in full, and completed, within a time period specified by the Company in order for such a waiver to take place.

(f) An Aggregator/Marketer for Firm Transportation Service customers must execute an Aggregator/Marketer agreement prior to the Company's providing service to an aggregated group represented by said Aggregator/Marketer.

(g) Firm Transportation Service customers being served under this Rate Schedule RSG may switch to Firm Sales Service under Rate Schedule RSG. In order to bring about such a switch, the customer must notify the Company on or before the tenth (10th) day of the calendar month preceding the month during which the customer wishes to switch to Firm Sales Service under this Rate Schedule RSG. Provided, however, that nothing in this Special Provision ~~(i)~~(g) concerning customer's exercise of a right to switch to Firm Sales Service under this Rate Schedule RSG shall change or nullify any contractual obligation of the customer to an Aggregator/Marketer.

(h) An Aggregator/Marketer for Firm Transportation Service customers may determine that it wishes to cease service to a customer under this Rate Schedule RSG. In such case the Aggregator/Marketer must notify the Company on or before the tenth (10th) day of the calendar month preceding the calendar month during which said Aggregator/Marketer's service shall cease. In such case, the customer will switch to Firm Sales Service under Rate Schedule RSG, effective during the month following receipt of notice. Until such time, the Aggregator/Marketer must continue to provide service. In such event any Excess Imbalances or Deficiency Imbalances pursuant to Rider "J" of this Tariff, associated with the customer, will remain the responsibility of the Aggregator/Marketer. Provided, however, that nothing in this Special Provision ~~(j)~~(h) concerning Aggregator/Marketer's cessation of service shall change or nullify any contractual obligation of the Aggregator/Marketer to the customer.

(i) For Firm Transportation Service customers, all charges under Rider "J" of this Tariff as well as the Aggregator/Marketer's Fee, but excluding the BS-1 Volumetric Charge, will be invoiced to the Aggregator/Marketer, in accordance with the Aggregator/Marketer's Agreement. The BS-1 Volumetric Charge will be invoiced directly to the customer.

RESIDENTIAL SERVICE (RSG)
(Continued)

(j) If a customer contacts the Company inquiring about Firm Transportation Service under this Rate Schedule RSG, the Company will supply the customer with a letter explaining the nature of Firm Transportation Service under this Rate Schedule RSG. That letter, in turn, will enclose: (a) a list of natural gas Aggregators/Marketers; and (b) a letter provided by the Board of Public Utilities related to residential transportation service.

(k) To be eligible to provide Aggregator/Marketer services under this Rate Schedule RSG, each Aggregator/Marketer for Firm Transportation Service customers must comply with all Board approved Marketer Standards, and all other rules and regulations of the Board applicable to Aggregator/Marketers.

(l) For Firm Transportation Service customers the receipt of gas by the Company for transportation under this Rate Schedule RSG shall equal the delivery of said gas to the customer on a daily basis, less a percentage for line loss. The line loss factor to be utilized will be the Company-wide line loss percentage.

GENERAL SERVICE (GSG)

APPLICABLE TO USE OF SERVICE FOR:

All Commercial and Industrial Customers who would not qualify for any other Rate Schedule. A customer qualifying for service under Rate Schedule GSG may elect either Firm Sales Service or Firm Transportation Service. To be eligible for Firm Transportation Service under this Rate Schedule GSG, a customer must hold clear and marketable title to gas that is made available for delivery to customer's facility on the Company's system.

CHARACTER OF SERVICE:

Firm Sales Service or Firm Transportation Service.

MONTHLY RATE: [(1)]

Customer Charge:

$34.467188~~29.123400~~ per month

Delivery Charges:

Firm Sales Service and Firm Transportation Service

~~(a) All consumption for customers who elected to transfer from Sales Service to Firm Transportation Service~~

~~All therms~~ $.815300~~555208~~ per therm

~~(b) All consumption for customers who elect Firm Sales Service~~

~~All therms $.555208 per therm~~

Basic Gas Supply Service ("BGSS") Charge:

All consumption for customers who elect Firm Sales Service See Rider "A" of this Tariff.

LINE LOSS:

Line Loss shall be 1.43% as provided in Special Provision (o).

[(1)] Please refer to Appendix A for components of Monthly Rates and Price to Compare.

GENERAL SERVICE (GSG)
(Continued)

APPLICABLE RIDERS:

Basic Gas Supply Service Clause:	BGSS charges are depicted in Rider "A" of this Tariff.
Transportation Initiation Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "C" of this Tariff.
Societal Benefits Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "E" of this Tariff.
Temperature Adjustment Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "F" of this Tariff.
Balancing Service Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "J" of this Tariff.
Conservation Incentive Program	The rates set forth above have been adjusted, as is appropriate, pursuant to ~~CIP charges are depicted in~~ Rider "M" of this Tariff.
Energy Efficiency Tracker	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "N" of this Tariff.

TERMS OF PAYMENT:

Payment of all bills must be received in full at the Company's designated office within fifteen (15) days of the billing date; provided however, the Company shall take into account any postal service delays of which the Company is advised. If the fifteenth (15th) day falls on a nonbusiness day, the due date shall be extended to the next business day. Should the customer fail to make payment as specified, the Company may, beginning on the twenty-sixth (26th) day, assess simple interest at a rate equal to the prime rate as published in the Money Rates column in The Wall Street Journal. A late payment charge shall not be assessed on a residential customer, or on State, county or municipal government entities.

TERM:

Customer may discontinue service upon written notice to the Company, pursuant to the terms of the Company's Standard Gas Service Agreement (GS), if applicable, otherwise, in order to effectuate a termination, customer must provide adequate notice to the Company.

GENERAL SERVICE (GSG)
(Continued)

TERMS AND CONDITIONS:

The General Terms and Conditions of this Tariff are incorporated into this rate schedule and this rate schedule shall be interpreted in accordance therewith.

SPECIAL PROVISIONS:

(a) The Company may require, as a condition precedent to the receipt of service under this Rate Schedule GSG, that an eligible customer execute a Standard Gas Service Agreement (GS), to indicate, among other things, the customer's minimum and maximum capability to utilize gas used under Rate Schedule GSG, and the levels of firm and interruptible service provided.

(b) Due to system constraints, the Company may instruct some or all GSG Firm Sales Service or Firm Transportation Service customers not to exceed the stated Maximum Capability in the Standard Gas Service Agreement (GS) during a given twenty-four (24) hour period. Said instruction may be given orally or in writing. Any customer who then uses in excess of its Maximum Capability may be subject to an additional charge (in addition to the charges set forth in the Monthly Rate Section of this Rate Schedule GSG). Such additional charge shall equal ten (10) times the highest price of the daily ranges for that month that are published in the Gas Daily in the table "Daily Price Survey" for delivery to "Transco, zone 6 non-N.Y.". This charge shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of Transcontinental Gas Pipe Line Corporation. Provided, however, that the Company may waive such charges if a customer demonstrates extenuating circumstances. The imposition of such additional charges shall not restrict the Company's right to interrupt or curtail this service.

(c) If during any month a Firm Sales Service or Firm Transportation Service customer having Alternate Fuel Capability utilizes gas in excess of the stated Maximum Capability in the Standard Gas Service Agreement (GSG), multiplied by the number of days in that month, or if applicable, a larger amount authorized by the Company, such excess shall be deemed utilized for interruptible uses, and may be billed pursuant to Rate Schedule IGS or ITS, as applicable.

(d) If during any month a Firm Sales Service or Firm Transportation Service customer without Alternate Fuel Capability utilizes gas in excess of the stated Maximum Capability in the Standard Gas Service Agreement (GSG), multiplied by the number of days in that month, or if applicable, a larger amount authorized by the Company, such customer may be subject to an additional charge (in addition to the charges set forth in the Monthly Rate Section of this Rate Schedule GSG). Such additional charge shall equal ten (10) times the highest price of the daily ranges for that month that are published in the Gas Daily in the table "Daily Price Survey" for delivery to "Transco, zone 6 non-N.Y.", multiplied by the number of days in that month. This daily charge shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of Transcontinental Gas Pipe Line Corporation. Provided, however, that the Company may waive such charges if a customer demonstrates extenuating circumstances. The imposition of such additional charges shall not restrict the Company's right to interrupt or curtail this service.

GENERAL SERVICE (GSG)
(Continued)

(e) A customer receiving service under this rate schedule may use natural gas to heat water for recreational and therapeutic equipment (including but not limited to swimming pools, hot tubs or similar equipment), subject to the Board's policy regarding such use.

(f) The Company will not accept gas for delivery to Firm Transportation Service customers that will: (1) adversely impact the Company's rights to current or future supply or transportation allocations; or (2) impose any financial or burdensome administrative obligation on the Company that would not have existed without acceptance of such delivery by the Company.

(g) The Firm Transportation Service customer bears sole responsibility for costs incurred to deliver customer owned gas to the Company's City Gate Station and to provide interstate pipeline capacity.

(h) The Firm Transportation Service customer shall be required to reimburse the Company for any out-of-pocket expenses incurred in any financial or burdensome administrative obligation; the Company may impose a surcharge therefore.

(i) RESERVED FOR FUTURE USE.

(j) The Company may install an electronic data collection system pursuant to Section 6.1 of the General Terms and Conditions of this Tariff to record the customer's consumption patterns required for billing purposes. The Company shall provide technical assistance in order to minimize the customer's expense for such installation.

(k) Firm Transportation Service customers may not arrange for delivery to the Company, on any day, of gas volumes in excess of customer's then applicable daily DCQ unless authorized to do so by the Company; provided, however, that said excess deliveries may be authorized by the Company to cure a Deficiency Imbalance.

(l) For Firm Transportation Service customers, the existence of imbalances as defined in Rider "J" will be determined each day. If at the beginning of a day a customer has an imbalance, the gas to fulfill that customer's daily DCQ for that day will be the first gas through the City Gate Station for the customer's account on that day. Gas to correct existing imbalances will be considered as the last gas coming through the City Gas Station for that customer's account on that day.

(m) RESERVED FOR FUTURE USE.

(n) A Firm Transportation Service customer scheduling gas for delivery may not schedule less than one dekatherm of gas for delivery under this Rate Schedule GSG on any day. All scheduling must be done in whole number dekatherms and not in fractions thereof.

(o) For Firm Transportation Service customers the receipt of gas by the Company for transportation under this Rate Schedule GSG shall equal the delivery of said gas to the customer on a daily basis, less a percentage for line loss. The line loss factor to be utilized will be the Company-wide line loss percentage.

GENERAL SERVICE – LARGE VOLUME (GSG-LV)

APPLICABLE TO USE OF SERVICE FOR:

All Commercial and Industrial Customers who would not qualify for any other Rate Schedule (other than Rate Schedule GSG), and who has an annualized usage of 100,000 therms or more,. A customer qualifying for service under Rate Schedule GSG-LV may elect either Firm Sales Service or Firm Transportation Service. To be eligible for Firm Transportation Service under this Rate Schedule GSG-LV, a customer must hold clear and marketable title to gas that is made available for delivery to customer's facility on the Company's system.

CHARACTER OF SERVICE:

Firm Sales Service or Firm Transportation Service.

MONTHLY RATE: [1]

Customer Charge:

$160.312500 per month

Delivery Charges:

Firm Sales Service and Firm Transportation Service
~~(a) All consumption for customers who elected to transfer from Sales Service to Firm Transportation Service~~ [2]

Demand Charge:
D-1FT: $13.092200~~9.618800~~ per Mcf of Contract Demand

Volumetric Charge:
~~C-1FT:~~ $.423105~~344683~~ per therm

~~(b) All consumption for customers who elect Firm Sales Service~~

~~Demand Charge:~~
~~D-1: $9.618800 per Mcf of Contract Demand~~

~~Volumetric Charge:~~
~~C-1: $.344683 per therm~~

Basic Gas Supply Service ("BGSS") Charge:

[1] Please refer to Appendix A for components of Monthly Rates and Price to Compare.
[2] See Special Provision (p) of this Rate Schedule GSG-LV, regarding appropriate balancing charges.

All consumption for customers who elect
Firm Sales Service See Rider "A" of this Tariff.

LINE LOSS:

Line Loss shall be 1.43% as provided in Special Provision (o).

GENERAL SERVICE (GSG-LV)
(Continued)

~~**Basic Gas Supply Service ("BGSS") Charge:**~~

~~All consumption for customers who elect Firm Sales Service See Rider "A" of this Tariff.~~

~~**LINE LOSS:**~~

~~Line Loss shall be 1.43% as provided in Special Provision (o).~~

APPLICABLE RIDERS:

Basic Gas Supply Service Clause:	BGSS charges are depicted in Rider "A" of this Tariff.
Transportation Initiation Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "C" of this Tariff.
Societal Benefits Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "E" of this Tariff.
Temperature Adjustment Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "F" of this Tariff.
Balancing Service Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "J" of this Tariff. However, see also Special Provision (l) regarding Rider "I".
Conservation Incentive Program	The rates set forth above have been adjusted, as is appropriate, pursuant to ~~CIP charges are depicted in~~ Rider "M" of this Tariff.
Energy Efficiency Tracker	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "N" of this Tariff.

GENERAL SERVICES (GSG-LV)
(Continued)

TERMS OF PAYMENT:

Payment of all bills must be received in full at the Company's designated office within fifteen (15) days of the billing date; provided however, the Company shall take into account any postal service delays of which the Company is advised. If the fifteenth (15th) day falls on a nonbusiness day, the due date shall be extended to the next business day. Should the customer fail to make payment as specified, the Company may, beginning on the twenty-sixth (26th) day, assess simple interest at a rate equal to the prime rate as published in the Money Rates column in The Wall Street Journal. A late payment charge shall not be assessed on a residential customer, or on State, county or municipal government entities.

TERM:

Customer may discontinue service upon written notice to the Company, pursuant to the terms of the Company's Standard Gas Service Agreement (GS), if applicable; otherwise, in order to effectuate a termination, customer must provide adequate notice to the Company.

TERMS AND CONDITIONS:

The General Terms and Conditions of this Tariff are incorporated into this rate schedule and this rate schedule shall be interpreted in accordance therewith.

SPECIAL PROVISIONS:

(a) The Company may require, as a condition precedent to the receipt of service under this Rate Schedule GSG-LV, that an eligible customer execute a Standard Gas Service Agreement (GS), to indicate, among other things, the customer's minimum and maximum capability to utilize gas under Rate Schedule GSG-LV; the levels of firm and interruptible service; and the customer's Contract Demand.

(b) Due to system constraints, the Company may instruct some or all GSG Firm Sales Service or Firm Transportation Service customers not to exceed the stated Contract Demand in the Standard Gas Service Agreement (GS) during a given twenty-four (24) hour period. Said instruction may be given orally or in writing. Any customer who then uses in excess of its Contract Demand may be subject to an additional charge (in addition to the charges set forth in the Monthly Rate Section of this Rate Schedule GSG-LV). Such additional charge shall equal ten (10) times the highest price of the daily ranges for that month that are published in the Gas Daily in the table "Daily Price Survey" for delivery to "Transco, zone 6 non-N.Y.". This charge shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of Transcontinental Gas Pipe Line Corporation. Provided, however, that the Company may waive such charges if a customer demonstrates extenuating circumstances. The imposition of such additional charges shall not restrict the Company's right to interrupt or curtail this service.

(c) If during any month a Firm Sales Service or Firm Transportation Service customer having Alternate Fuel Capability utilizes gas in excess of the stated Contract Demand in the Standard Gas Service Agreement (GS), multiplied by the number of days in that month, or if applicable, a larger amount authorized by the Company, such excess shall be deemed utilized for interruptible uses, and may be billed pursuant to Rate Schedule IGS or ITS, as applicable.

(d) If during any month a GSG-LV customer having no Alternate Fuel Capability utilizes gas in excess of its Contract Demand multiplied by the number of days in the month, then in addition to the Customer Charge, Volumetric Charges, and Applicable Riders set forth in the Monthly Rate Section of this Rate Schedule GSG-LV: the customer's average daily gas consumption for the month ~~to~~shall be utilized until such time as the Company adjusts the Contract Demand during its annual review.

(e) Beginning with the effective date of this Rate Schedule GSG-LV, a customer's Contract Demand shall be determined based upon the customer's average daily usage for the month of the highest monthly usage during the preceding twelve months, subject to normalization if appropriate. Estimated data may be used as a surrogate when actual data is not available. The average daily usage shall be determined for each billing month based upon usage divided by the number of days in the billing month. The customer's Contract Demand shall be reviewed and adjusted no less frequently than annually. When the Company adjusts the Contract Demand, it shall be adjusted to the nearest Mcf. Contract Demand No. 127incorporated into a Standard Gas Service Agreement (GS). However, the Contract Demand shall be effective irrespective of whether it is incorporated into a Standard Gas Service Agreement (GS).

(f) A customer receiving service under this rate schedule may use natural gas to heat water for recreational and therapeutic equipment (including but not limited to swimming pools, hot tubs or similar equipment), subject to the Board's policy regarding such use.

(g) The Company will not accept gas for delivery to Firm Transportation Service customers that will: (1) adversely impact the Company's rights to current or future supply or transportation allocations; or (2) impose any financial or burdensome administrative obligation on the Company that would not have existed without acceptance of such delivery by the Company.

(h) The Firm Transportation Service customer bears sole responsibility for costs incurred to deliver customer owned gas to the Company's City Gate Station and to provide interstate pipeline capacity.

(i) The Firm Transportation Service customer shall be required to reimburse the Company for any out-of-pocket expenses incurred in any financial or burdensome administrative obligation; the Company may impose a surcharge therefore.

(j) The Company may install an electronic data collection system pursuant to Section 6.1 of the General Terms and Conditions of this Tariff. The Company shall provide technical assistance in order to minimize the customer's expense for such installation.

(k) Firm Transportation Service customers may not arrange for delivery to the Company, on any day, of gas volumes in excess of customer's then applicable DCQ (or the quantity of gas burned daily if the Rider "I" customer has no DCQ) unless authorized to do so by the Company; provided, however, that said excess deliveries may be authorized by the Company to cure a Deficiency Imbalance.

GENERAL SERVICES (GSG-LV)
(Continued)

(l) For Firm Transportation Service customers, the existence of imbalances as defined in Rider "I" or Rider "J" will be determined each day. If at the beginning of a day a customer has an imbalance, the gas to fulfill that customer's DCQ (or the quantity of gas burned on that day for a Rider "I" customer who has no DCQ) for that day will be the first gas through the City Gate Station for the customer's account on that day. Gas to correct existing imbalances will be considered as the last gas coming through the City Gas Station for that customer's account on that day.

(m) RESERVED FOR FUTURE USE.

(n) A Firm Transportation Service customer scheduling gas for delivery may not schedule less than one dekatherm of gas for delivery under this Rate Schedule GSG-LV on any day. All scheduling must be done in whole number dekatherms and not in fractions thereof.

(o) For Firm Transportation Service customers the receipt of gas by the Company for transportation under this Rate Schedule GSG-LV shall equal the delivery of said gas to the customer on a daily basis, less a percentage for line loss. The line loss factor to be utilized will be the Company-wide line loss percentage.

(p) The rates set forth in the Delivery Charge section of this Rate Schedule GSG-LV assume that the customer receives balancing service under Rider "J" to this Tariff. If the customer selects balancing service under Rider "I" of this Tariff, then the Delivery Charges will be adjusted to reflect the Rider "I" Charges.

COMPREHENSIVE TRANSPORTATION SERVICE (CTS)

APPLICABLE TO USE OF SERVICE FOR:

All customers having a Firm Contract Demand, and an average annual daily Firm usage of 100 Mcf per day or more. To be eligible for service under this Rate Schedule CTS, a customer must hold clear and marketable title to gas that is made available for delivery to customer's facility on the Company's system. Provided, however, that any customer receiving service under this Rate Schedule CTS prior to August 29, 2003 shall continue to be eligible to receive service under this Rate Schedule CTS, notwithstanding the foregoing, if said customers continues to have a Firm Contract Demand of 100 Mcf per day or more. Further provided, however, that if a customer ceases to receive service under this Rate Schedule CTS, and seeks to return to service under this Rate Schedule CTS, said customer must meet all requirements for eligibility as though applying for service in the first instance.

CHARACTER OF SERVICE:

Firm Transportation Service and Limited Firm Transportation Service

MONTHLY RATE: [(1)]

Firm:

Customer Charge: $641.250000 per month

Delivery Charges:

Demand Charge: D-1FT: $33.131250~~29.306500~~ per Mcf of Contract Demand

Volumetric Charges:

~~C-1FT:~~

All consumption for customers who elected to transfer from Sales Service to Firm Transportation Service $.140728~~091352~~ per therm

Limited Firm:

Customer Charge: $106.875000 per month

Delivery Charges:

Volumetric Charges:

~~C-1FT:~~

All consumption for customers who elected to ~~t~~transfer from Sales Service to Firm Transportation Service $.102871 per therm

[(1)] Please refer to Appendix A for components of Monthly Rates.

Issued January 27, 2017
by South Jersey Gas Company,
D. Robbins, Jr., President

Effective with service rendered on and after February 28, 2017

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

COMPREHENSIVE TRANSPORTATION SERVICE (CTS)
(Continued)

APPLICABLE RIDERS:

Societal Benefits Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "E" of this Tariff.
Balancing Service Clause:	All gas delivered to Customers under this Rate Schedule CTS is subject to Rider "I" of this Tariff
Energy Efficiency Tracker:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "N" of this Tariff.

LINE LOSS:

Line loss shall be 1.43% as provided in Special Provision (q).

MINIMUM BILL:

Sum of monthly customer charge and monthly demand charge, irrespective of use.

TERMS OF PAYMENT:

Payment of all bills must be received in full at the Company's designated office within fifteen (15) days of the billing date; provided however, the Company shall take into account any postal service delays of which the Company is advised. If the fifteenth (15th) day falls on a nonbusiness day, the due date shall be extended to the next business day. Should the customer fail to make payment as specified, the Company may, beginning on the twenty-sixth (26th) day, assess simple interest at a rate equal to the prime rate as published in the Money Rates column in The Wall Street Journal. A late payment charge shall not be assessed on a residential customer, or on State, county or municipal government entities.

TERM:

Customer may discontinue service upon written notice to the Company, pursuant to the conditions of the Company's Standard Gas Service Agreement (LV).

TERMS AND CONDITIONS:

The General Terms and Conditions of this Tariff are incorporated into this rate schedule and this rate schedule shall be interpreted in accordance therewith.

COMPREHENSIVE TRANSPORTATION SERVICE (CTS)
(Continued)

DEFINITIONS:

(1) "Gas Consumption" means the volume of gas, utilized by the customer, as measured at the customer's meter. Gas Consumption will be displayed on the ~~Company's Electronic Bulletin Board~~Third Party ~~Supplier~~ Marketer Portal (the "~~EBB"~~Portal"). However, the responsibility for balancing shall remain with the customer even if the ~~Company's EBB~~Portal is inoperative.

(2) On any day during which gas receipts for a customer's account exceed Gas Consumption, after adjustment to reflect line loss and sales authorized by the Company for this customer, a daily "Excess Imbalance" results.

(3) On any day during which Gas Consumption exceeds gas receipts for a customer's account, after adjustment to reflect line loss and sales authorized by the Company, a daily "Deficiency Imbalance" results.

(4) Daily Deficiency Imbalances and Daily Excess Imbalances may be collectively referred to as "Daily Imbalances".

(5) "Net Monthly Imbalance" means the net of a customer's Daily Imbalances, if any, during a month. If monthly Gas Consumption exceeds monthly gas receipts for a customer's account, a Monthly Deficiency Imbalance results and if monthly gas receipts exceed monthly Gas Consumption, a Monthly Excess Imbalance results.

(6) Upon termination of service under this Rate Schedule CTS, the Company shall review the status of customer's account. In the event that customer's account has a negative balance, the customer shall have thirty days to pay back such negative balance. If any negative balance remains after thirty days, the customer will be charged the GSG-LV Monthly BGSS rate multiplied by each therm of negative balance. If customer's account has a positive balance, the Company will purchase such gas at the Buy-Out Price.

(7) As used in this Rate Schedule CTS, "Buy-Out Price" shall mean a price equal to the lowest price of gas delivered to the Company's system during the month the positive balance or an Excess Imbalance occurs.

(8) As used in this Rate Schedule CTS, "CTS Year" shall mean a twelve (12) month period commencing November 1 and ending October 31.

COMPREHENSIVE TRANSPORTATION SERVICE (CTS)
(Continued)

SPECIAL PROVISIONS:

(a) Customer shall contract for service under the Company's Standard Gas Service Agreement (LV). A customer electing Limited Firm service under this Rate Schedule CTS must execute a Standard Gas Service Agreement (LV) for an initial term of at least twelve (12) months. A CTS Firm customer taking Limited Firm service may not reduce its Firm Contract Demand.

(b) Due to system constraints, the Company may instruct some or all Firm Transportation Service customers not to exceed Firm Contract Demand during a given twenty-four (24) hour period. Such instructions may be given orally or in writing. Any customer who then uses gas in excess of its Firm Contract Demand may be subject to an additional charge (in addition to the charges set forth in the Monthly Rate Section of this Rate Schedule CTS). Such additional charge shall equal ten (10) times the highest price of the daily ranges for that month that are published in the Gas Daily in the table "Daily Price Survey" for delivery to "Transco, zone 6 non-N.Y.". This charge shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of Transcontinental Gas Pipe Line Corporation. Provided, however, that the Company may waive such charges if a customer demonstrates extenuating circumstances. The imposition of such additional charges shall not restrict the Company's right to interrupt or curtail this service. Provided, however, that as to customers who have elected to take the Limited Firm service, such instruction will not be given more than ten (10) days during any CTS Year as to such Limited Firm service.

Due to system constraints, the Company may instruct some or all Firm Transportation Service customers not to exceed their nominated amounts of gas during a given twenty-four (24) hour period. Such instructions may be given orally or in writing. Any customer who then uses gas in excess of its nominated amount may be subject to an additional charge (in addition to the charges set forth in the Monthly Rate Section of this Rate Schedule CTS). Such additional charge shall equal ten (10) times the highest price of the daily ranges for that month that are published in the Gas Daily in the table "Daily Price Survey" for delivery to "Transco, zone 6 non-N.Y.". This charge shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of Transcontinental Gas Pipe Line Corporation. Provided, however, that the Company may waive such charges if a customer demonstrates extenuating circumstances. The imposition of such additional charges shall not restrict the Company's right to interrupt or curtail this service. Provided, however, that as to customers who have elected to take the Limited Firm service, such instruction will not be given more than ten (10) days during any CTS Year as to such Limited Firm service.

(c) If during any month a CTS customer having no Alternate Fuel Capability, and who has not elected LimitedFirm service utilizes gas in excess of its Firm Contract Demand as stated in the Standard Gas Service Agreement (LV), multiplied by the number of days in that month, or if applicable, a larger amount authorized by the Company, such customer may be subject to an additional charge (in addition to the charges set forth in the Monthly Rate section of this Rate Schedule CTS): Such additional charge shall

COMPREHENSIVE TRANSPORTATION SERVICE (CTS)
(Continued)

equal ten (10) times the highest price of the daily ranges for that month that are published in the Gas Daily in the table "Daily Price Survey" for delivery to "Transco, zone 6 non-N.Y.". This daily charge shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of Transcontinental Gas Pipe Line Corporation. Provided, however, that the Company may waive such charges if a customer demonstrates extenuating circumstances. The imposition of such additional charges shall not restrict the Company's right to interrupt or curtail this service.

(d) Except as provided in Special Provision (c) above, if during any month a customer with interruptible capability that utilizes gas in excess of that customer's aggregate daily Firm Contract Demand for said month, or if applicable, a larger amount authorized by the Company, such usage may be deemed to be utilized for either: (1) interruptible charges billed upon Rate Schedule ITS at the service charge and the transportation charge set forth under Rate Schedule ITS, Paragraph (a); or (2) Limited Firm charges set forth in the Monthly Rate section of this Rate Schedule CTS, whichever is applicable. An election to utilize Limited Firm service must be made for a period of at least twelve (12) months.

(e) Customers shall use their best efforts to ensure that the daily volumes of gas scheduled for delivery into the Company's system for the customer's account, adjusted to reflect line loss and sales authorized by the Company, equal the volumes of daily Gas Consumption by the customer.

(f) Customers shall be responsible for maintaining a balance between volumes of daily deliveries into the Company's system and daily Gas Consumption, adjusted to reflect line loss.

(g) Certain levels of Daily Imbalances will be subject to a corrective plan, as provided in Paragraph (g) of this Rate Schedule CTS. Daily Imbalances of this level will be referred to as "Imbalances Requiring Action" or "IRA". An Excess Imbalance will become an IRA during the winter season if daily receipts exceed daily Gas Consumption by five (5%) percent, and during the summer season if daily receipts exceed daily Gas Consumption by seven and one half (7.5%) percent. A Deficiency Imbalance will become an IRA during the winter season if daily Gas Consumption exceeds daily receipts by five (5%) percent, and during the summer season if daily Gas Consumption exceeds daily receipts by seven and one half (7.5%) percent. The winter season, as used herein, is from November 1 through March 31. The summer season is from April 1 to October 31. Generally, the existence of an IRA will be determined for each customer, on an individual customer basis. However, for those customers who execute an Aggregation Agreement, acceptable to the Company, IRAs will be determined in the aggregate for all members of the Aggregation Group.

COMPREHENSIVE TRANSPORTATION SERVICE (CTS)
(continued)

(h) If a customer has an IRA as demonstrated on the ~~Company's EBB~~Portal, the customer must present a plan within forty-eight (48) hours of such demonstration to eliminate the IRA. Such plan must not, inter alia, adversely impact service to other customers, affect system integrity, or affect the Company's gas supply planning. If the plan presented by the customer is unacceptable to the Company, the Company will present an alternative plan. If the customer fails to present, within 48 hours after such demonstration, a plan to eliminate such IRA or fails to comply with a plan accepted by or offered by the Company, the customer shall be subject either to (a) billing for volumes of Gas Consumption in excess of receipts at a rate equal to five (5) times the Net Monthly Deficiency Imbalance Cash-Out Charge within Rider "I" of this Tariff, assuming a System Impact Charge of one (1.0); or (b) a buyout of the excess of receipts over volumes of Gas Consumption at a rate equal to one-fifth (1/5) of the Net Monthly Excess Imbalance Cash-Out Credit within Rider "I" of this Tariff, assuming a System Impact Charge of one (1.0). Imbalances at month end will be treated no differently than imbalances during the month in that the applicable 48 hour correction period may continue into a subsequent month.

(i) Notwithstanding any other provision of this Rate Schedule CTS, if the Company determines in its sole reasonable discretion that it is necessary to do so to alleviate operating conditions which may threaten the integrity of its system, the Company may issue an Operational Flow Order ("OFO") to some or all customers subject to this Rate Schedule CTS. The Company shall provide customers and their Aggregator/ Marketer's with notice of an OFO by posting the same on the ~~Company's EBB~~Portal, and by facsimile transmission. Alternatively, the Company may provide notice by telephone or otherwise of said OFO. Such notice shall be effective within twenty-four hours of posting unless exigent circumstances require shorter notice, which shorter notice shall be specified in the posting. The OFO may direct, inter alia, the cessation of the creation of Deficiency Imbalances or of Excess Imbalances and that customers make a good faith effort to eliminate existing Deficiency Imbalances or Excess Imbalances. For purposes of this paragraph (i) of this Rate Schedule CTS, if a customer is a member of a Customer Group pursuant to an Aggregator/Marketer's Agreement, Deficiency Imbalances and Excess Imbalances for that customer and for all members of the Customer Group shall be aggregated. Failure to comply with an OFO shall result in the creation of an OFO Deficiency Imbalance or for an OFO Excess Imbalance. The customer may be invoiced for any OFO Deficiency Imbalance or for any OFO Excess Imbalance at a rate of Fifty Dollars ($50.00) per Mcf of such OFO Deficiency Imbalance or OFO Excess Imbalance for each day that said OFO Deficiency Imbalance or OFO Excess Imbalance remains in effect. In addition, after the Company has taken the steps set forth in this paragraph (i), any customer failing to adhere to an OFO shall be subject to immediate termination of all gas service.

(j) Any customer receiving service subject to this Rate Schedule CTS must maintain computer capability necessary to access the ~~Company's EBB~~Portal directly or through an Aggregator and/or Marketer pursuant to an Aggregator's/Marketer's Agreement acceptable to the Company.

(k) The Company may install an electronic data collection system pursuant to Section 6.1 of the General Terms and Conditions of this Tariff. The Company shall provide technical assistance in order to minimize the customer's expense for such installation.

(l) Any customer receiving service subject to this Rate Schedule CTS must balance its CTS Firm Load, and if applicable, its ITS and CTS Limited Firm load pursuant to the terms of this Rate Schedule CTS.

COMPREHENSIVE TRANSPORTATION SERVICE (CTS)
(Continued)

(m) A customer scheduling gas for delivery may not schedule less than one dekatherm of gas for delivery under this Rate Schedule CTS on any day. All scheduling must be done in whole number dekatherms and not in fractions thereof.

(n) Customer shall contract for service under the Company's Standard Gas Service Agreement (LV).

(o) In the event that, during any month the sum of the month-to-date Deficiency Imbalances or Excess Imbalances, for non-Force Majeure reasons, for an Aggregator/Marketer exceeds three (3) times the ACD, the Company will immediately notify the Aggregator/Marketer via telephone, facsimile or similar means. If Deficiency Imbalances or Excess Imbalances reach five (5) times the ACD, the following will occur: (1) the Aggregator/Marketer is no longer eligible to function as an Aggregator/Marketer on the Company's system until the conditions set forth in this paragraph (m) are satisfied, but not before the first (1st) day of the following month; and (2) for the balance of the current month and for future months, the affected Aggregator /Marketer's customers will be supplied natural gas by the Company and will be billed on a prorated basis pursuant to the Rate Schedule GSG-LV Monthly BGSS rate. Such customers will be charged on a prorated basis upon this Rate Schedule CTS, including all Special Provisions of this Rate Schedule CTS for gas delivered, including gas deliveries resulting in imbalances, prior to the implementation of the Rate Schedule GSG-LV Monthly BGSS rate.

In order to be reinstated as an eligible Aggregator/Marketer, following termination of aggregator/ Marketer status for Deficiency Imbalances or Excess Imbalances as set forth above, the Aggregator/Marketer in addition to meeting all other applicable requirements must post and maintain for one (1) year security in a credit facility satisfactory to the Company in an amount equal to two (2) times that which would otherwise be required by the Company. At the conclusion of that year and assuming no additional occurrence of Deficiency Imbalances or Excess Imbalances as described above, the Aggregator/Marketer will be released from its obligation to provide security in excess of that otherwise required by the Company. If an additional Deficiency Imbalance or Excess Imbalance as described above occurs during that one-year period, the Aggregator/Marketer will be disqualified as an Aggregator/Marketer upon the Company's system for an additional one (1) year period. As used in this Paragraph (m), ACD shall mean the aggregate of all Contract Demands, expressed in dekatherms, of all customers served by an Aggregator/Marketer under this Rate Schedule CTS.

(p) The receipt of gas by the Company for transportation under this Rate Schedule CTS shall equal the delivery of said gas to the customer on a daily basis, less a percentage for line loss. The line loss factor to be utilized will by the Company-wide line loss percentage.

COMPREHENSIVE TRANSPORTATION SERVICE (CTS)
(~~c~~Continued)

(q) Customers subscribing to this Rate Schedule CTS may elect the "opt-out" provision provided for in the Standard Gas Service Agreement (LV). Such an "opt-out" customer will have no right or entitlement to have base load gas provided by the Company. Provided, however, that a customer electing the "opt-out" provision shall be eligible to receive balancing services from the Company pursuant to appropriate rate schedules and riders. In the case that an "opt-out" customer cannot provide for its capacity, gas supply, or both, the customer must either discontinue the use of base load gas or have it provided by South Jersey at the incremental price. The incremental price charged to an "opt-out" customer shall be the sum of: (1) the highest commodity cost of gas paid by the Company during the month in which the "opt-out" customer uses "Company" gas; and (2) the higher of the cost of incremental capacity needed to serve the returning "opt-out" customer or the system weighted average cost of capacity, plus other charges which must be paid by customers eligible for South Jersey's Monthly BGSS charge. The incremental price will be charged to the customer until the effective date of a new Standard Gas Service Agreement.

(r) An "opt-out" customer will become eligible to purchase base load gas from the Company or transport gas without "opt-out" status, upon six months' notice to the Company of intention to no longer be an "opt-out" customer, provided that prior to the expiration of the six month notice period, the customer shall have entered into a new Standard Gas Service Agreement which includes the customer's agreement to purchase base load gas or transport without an "opt-out" status for a term of not less than one year. Upon the effective date of the new Standard Gas Service Agreement, which shall be no sooner than the end of the six month period in said notice, the customer shall no longer be obligated to pay the incremental prices set forth above. However, said customer will then be obligated to pay the higher balancing charge of $0.126 per Dt, including taxes. The Company will not have the right to waive this six month notice requirement.

LARGE VOLUME SERVICE (LVS)

APPLICABLE TO USE OF SERVICE FOR:

Firm Sales Service and Firm Transportation Service pursuant to this Rate Schedule LVS, shall be available to all Industrial Customers with a Contract Demand and a minimum annualized average use of 200 Mcf per day. To be eligible for Firm Transportation Service under this Rate Schedule LVS, a customer must hold clear and marketable title to gas that is made available for delivery to customer's facility on the Company's system.

CHARACTER OF SERVICE:

Firm Sales Service, Limited Firm Sales Service, Firm Transportation Service, and Limited Firm Transportation Service.

MONTHLY RATE: [1]

Firm:

Customer Charge:

$961.875000 per month

Delivery Charge:

Firm Sales Service and Firm Trasnportation Service
~~(a) All consumption for customers who elected to transfer from Firm Sales Service to Firm Transportation Service~~

Demand Charge:

D-1FT: $19.23750015.907500 per Mcf of Contract Demand

Volumetric Charge:

~~C-1FT:~~ $.106363083522 per therm

~~(b) All consumption for customers who elect Firm Sales Service~~

~~Demand Charge:~~

~~D-1: $15.907500 per Mcf of Contract Demand~~

~~Volumetric Charge:~~

~~C-1: $.083522 per therm~~

[1] Please refer to Appendix A for components of Monthly Rates.

Basic Gas Supply Service ("BGSS") Charge:

Demand Charge:
D-2: $15.940257 per Mcf of Contract Demand.

Volumetric Charge:
~~C-2:~~ See Rider "A" of this Tariff.

LARGE VOLUME SERVICE (LVS)
(continued)

~~**Basic Gas Supply Service ("BGSS") Charge:**~~

~~Demand Charge:~~
~~D-2: $15.940257 per Mcf of Contract Demand.~~

~~Volumetric Charge:~~
~~C-2: See Rider "A" of this Tariff.~~

Limited Firm:

Customer Charge:

$106.875000 per month

Delivery Charge:

Firm Sales Service and Firm Transportation ~~(a) All consumption for customers who elected to transfer from Firm Sales Service to Firm Transportation Service~~

Volumetric Charge:
~~C-1FT:~~ $.155671~~.141571~~ per therm

~~(b) All consumption for customers who elect Firm Sales Service~~

~~Volumetric Charge:~~
~~C-1FT: $.141571 per therm~~

Basic Gas Supply Service ("BGSS") Charge:

Applicable to customers who elect Firm Sales Service

Volumetric Charge:

~~C-2:~~ See Rider "A" of this Tariff.

PRICE TO COMPARE:

The Company will provide the Price to Compare for an LVS customer, at said customer's request.

LINE LOSS:

Line Loss shall be 1.43% as provided in Special Provision (h).

MINIMUM BILL:

Sum of monthly Customer Charge and monthly Demand Charges, irrespective of use.

LARGE VOLUME SERVICE (LVS)
(continued)

~~**MINIMUM BILL:**~~

~~Sum of monthly Customer Charge and monthly Demand Charges, irrespective of use.~~

APPLICABLE RIDERS:

Basic Gas Supply Service Clause:	The ~~C-2~~ rate is depicted in Rider "A" of this Tariff.
Societal Benefits Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "E" of this Tariff.
Balancing Service Clause:	All gas delivered to Customers under this Rate Schedule LVS is subject to Rider "I", of this Tariff.
Energy Efficiency Tracker:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "N" of this Tariff.

TERMS OF PAYMENT:

Payment of all bills must be received in full at the Company's designated office within fifteen (15) days of the billing date; provided however, the Company shall take into account any postal service delays of which the Company is advised. If the fifteenth (15th) day falls on a nonbusiness day, the due date shall be extended to the next business day. Should the customer fail to make payment as specified, the Company may, beginning on the twenty-sixth (26th) day, assess simple interest at a rate equal to the prime rate as published in the Money Rates column in The Wall Street Journal. A late payment charge shall not be assessed on a residential customer, or on State, county or municipal government entities.

TERM:

Customer may discontinue service upon written notice to the Company, pursuant to the conditions of the Company's Standard Gas Service Agreement (LV).

TERMS AND CONDITIONS:

The General Terms and Conditions of this Tariff are incorporated into this rate schedule and this rate schedule shall be interpreted in accordance therewith.

LARGE VOLUME SERVICE (LVS)
(Continued)

SPECIAL PROVISIONS:

(a) Customer shall contract for service under the Company's Standard Gas Service Agreement (LV). A customer electing Limited Firm service under this Rate Schedule LVS must execute a Standard Gas Service Agreement (LV) for an initial term of at least twelve (12) months. An LVS Firm customer taking Limited Firm service may not reduce its Firm Contract Demand.

(b) Due to system constraints, the Company may instruct some or all Firm Sales Service or Firm Transportation Service customers not to exceed the stated Contract Demand in the Standard Gas Service Agreement (LV) during a given twenty-four (24) hour period. Said instruction may be given orally or in writing. Any customer who then uses in excess of its Contract Demand may be subject to an additional charge (in addition to the charges set forth in the Monthly Rate Section of this Rate Schedule LVS). Such additional charge shall equal ten (10) times the highest price of the daily ranges for that month that are published in the Gas Daily in the table "Daily Price Survey" for delivery to "Transco, zone 6 non-N.Y.". This charge shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of Transcontinental Gas Pipe Line Corporation. Provided, however, that the Company may waive such charges if a customer demonstrates extenuating circumstances. The imposition of such additional charges shall not restrict the Company's right to interrupt or curtail this service.

Due to system constraints, the Company may instruct some or all Firm Transportation Service customers not to exceed their nominated amounts of gas during a given twenty-four (24) hour period. Such instructions may be given orally or in writing. Any customer who then uses gas in excess of its nominated amount may be subject to an additional charge (in addition to the charges set forth in the Monthly Rate Section of this Rate Schedule LVS). Such additional charge shall equal ten (10) times the highest price of the daily ranges for that month that are published in the Gas Daily in the table "Daily Price Survey" for delivery to "Transco, zone 6 non-N.Y." This charge shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of Transcontinental Gas Pipe Line Corporation. Provided, however, that the Company may waive such charges if a customer demonstrates extenuating circumstances. The imposition of such additional charges shall not restrict the Company's right to interrupt or curtail this service. Provided, however, that as to customers who have elected to take the Limited Firm service, such instruction will not be given more than ten (10) days during any LVS Year as to such Limited Firm service. As used in this Rate Schedule LVS, "LVS Year" shall mean a twelve (12) month period commencing November 1 and ending October 31.

Due to system constraints, the Company may instruct some or all Limited Firm sales customers or Limited Firm transportation customers to cease utilizing any gas service. Such instruction may not be given on more than ten (10) days during any Winter Season.

(c) If during any month a Firm Sales Service or Firm Transportation Service customer having Alternate Fuel Capability utilizes gas in excess of the stated Contract Demand in the Standard Gas Service Agreement (LV), multiplied by the number of days in that month, or if applicable, a larger amount authorized by the Company, such excess usage may be deemed to be utilized for either: (i) interruptible service to be billed upon Rate Schedule ITS at the service charge and the transportation charge set forth under Rate Schedule ITS, Paragraph (a); or (ii) Limited Firm charges set forth in the Monthly Rate Section of this Rate Schedule (LVS) whichever is applicable. An election to utilize Limited Firm transportation service or Limited Firm sales service must be made for a period of at least twelve (12) months.

LARGE VOLUME SERVICE (LVS)
(Continued)

(d) If during any month a Firm Sales Service or Firm Transportation Service customer without Alternate Fuel Capability utilizes gas in excess of the stated Contract Demand in the Standard Gas Service Agreement (LV), multiplied by the number of days in that month, or if applicable, a larger amount authorized by the Company, such customer may be subject to an additional charge (in addition to the charges set forth in the Monthly Rate Section of this Rate Schedule LVS). Such additional charge shall equal ten (10) times the highest price of the daily ranges for that month that are published in the Gas Daily in the table "Daily Price Survey" for delivery to "Transco, zone 6 non-N.Y.". This daily charge shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of Transcontinental Gas Pipe Line Corporation. Provided, however, that the Company may waive such charges if a customer demonstrates extenuating circumstances. The imposition of such additional charges shall not restrict the Company's right to interrupt or curtail this service.

(e) The Company will not accept gas for delivery from a Firm Transportation Service customer that will: (1) adversely impact the Company's rights to current or future supply or transportation allocations; or (2) impose any financial or burdensome administrative obligation on the Company that would not have existed without acceptance of such delivery by the Company.

(f) The Firm Transportation Service customer bears sole responsibility for costs incurred to deliver customer owned gas to the Company's City Gate Station and to provide interstate pipeline capacity.

(g) The Firm Transportation Service customer shall be required to reimburse the Company for any out-of-pocket expenses incurred in connection with the initiation and rendering of service under this Rate Schedule LVS. If the Company has accepted gas for delivery under this Rate Schedule and as a result thereof it incurs any financial or burdensome administrative obligation, the Company may impose a surcharge therefore.

(h) The receipt of gas by the Company for Firm Transportation Service customers under this Rate Schedule LVS shall equal the delivery of said gas to the customer on a daily basis, less a percentage for line loss. The line loss factor to be utilized will be the Company-wide line loss percentage.

(i) Firm Transportation Service customers may not arrange for delivery to the Company, on any day, of gas volumes in excess of customer's then applicable daily Contract Demand unless authorized to do so by the Company; provided, however, that said excess deliveries may be authorized by the Company to cure a Deficiency Imbalance.

(j) The Company may install an electronic data collection system pursuant to Section 6.1 of the General Terms and Conditions of this Tariff. The Company shall provide technical assistance in order to minimize the customer's expense for such installation.

(k) The existence of imbalances as defined in Rider "I" will be determined each day. If at the beginning of a day a Firm Transportation Service customer has an imbalance, the gas to fulfill that customer's daily Contract Demand for that day will be the first gas through the City Gate Station for the customer's account on that day. Gas to correct existing imbalances will be considered as the last gas coming through the City Gas Station for that customer's account on that day.

LARGE VOLUME SERVICE (LVS)
(Continued)

(l) A Firm Transportation Service customer scheduling gas for delivery may not schedule less than one dekatherm of gas for delivery under this Rate Schedule LVS on any day. All scheduling must be done in whole number dekatherms and not in fractions thereof.

(m) The BGSS D-2 Demand Charge will equal the Company's system weighted average interstate pipeline demand charge plus the system weighted average gas reservation charge both as of October 1 of each year. The BGSS D-2 Demand Charge is subject to annual adjustment, to be made in the same proceeding in which the Company's annual Periodic BGSS Rate is established for the BGSS Year pursuant to Rider "A" of this Tariff. The BGSS D-2 Demand Charge shall not be less than the sum of the following: (1) the demand charge invoiced by Transcontinental Gas Pipe Line Corporation for its FT service; (2) the Pipeline Capacity Factor; and (3) one dollar ($1.00) per Dt.

(n) The Pipeline Capacity Factor will recover the difference between the Company's system weighted average pipeline demand cost and the demand cost of Transcontinental Gas Pipe Line Corporation's FT charge.

(o) Customers subscribing to this Rate Schedule LVS may elect the "opt-out" provision provided for in the Standard Gas Service Agreement (LV). Such an "opt-out" customer will have no right or entitlement to have base load gas provided by the Company. Provided, however, that a customer electing the "opt-out" provision shall be eligible to receive balancing services from the Company pursuant to appropriate rate schedules and riders. In the case that an "opt-out" customer cannot provide for its capacity, gas supply, or both, the customer must either discontinue the use of base load gas or have it provided by South Jersey at the incremental price. The incremental price charged to an "opt-out" customer shall be the sum of: (1) the highest commodity cost of gas paid by the Company during the month in which the "opt-out" customer uses "Company" gas; and (2) the higher of the cost of incremental capacity needed to serve the returning "opt-out" customer or the system weighted average cost of capacity, plus other charges which must be paid by customers eligible for South Jersey's Monthly BGSS charge. The incremental price will be charged to the customer until the effective date of a new Standard Gas Service Agreement.

(p) An "opt-out" customer will become eligible to purchase base load gas from the Company, or transport gas without "opt-out" status, upon six months' notice to the Company of intention to no longer be an "opt-out" customer, provided that prior to the expiration of the six month notice period, the customer shall have entered into a new Standard Gas Service Agreement which includes the customer's agreement to purchase base load gas or transport without an "opt-out" status for a term of not less than one year. Upon the effective date of the six month period in said notice, the customer shall no longer be obligated to pay the incremental prices set forth above. However, said customer will then be obligated to pay the higher balancing charge of $0.126 per Dt, including taxes. The Company will not have the right to waive this six month notice requirement.

FIRM ELECTRIC SERVICE (FES)

APPLICABLE TO USE OF SERVICE FOR:

All gas that is purchased or transported to generate electricity. Provided, however, that in order to qualify for this Rate Schedule FES, a customer must have a Winter Daily Contract Demand of 1,000 Mcf per day or more, or a Summer Daily Contract Demand of 2,000 Mcf per day or more, or both. To be eligible for Firm Transportation Service under this Rate Schedule FES, a customer must hold clear and marketable title to gas that is made available for delivery to customer's facility on the Company's system.

CHARACTER OF SERVICE:

Firm Sales Service and Firm Transportation Service.

MONTHLY RATE [(1)] [(2)]

WINTER (November – March):

Demand Charge:

D-1 $3.096400 per Mcf of Winter Daily Contract Demand
D-2 $7.970128 per Mcf of Daily Billing Determinant or $0 for Firm Transportation customers

Volumetric Charge:

C-1: $.040471 per therm of consumption
C-2: FES Monthly Commodity Rate, pursuant to Rider "A" and Special Provision (x), OR Customer Owned Gas Clause, Rider "D"
C-3: $.174100 per therm of consumption
C-4: Escalator Rate – Charge may change monthly pursuant to Standard Gas Service Addendum.

Minimum Bill: The monthly D-1 and D-2 charges, irrespective of use.

SUMMER (April – October):

Demand Charge:

D-1 $3.096400 per Mcf of Summer Daily Contract Demand
D-2 $7.970128 per Mcf of Daily Billing Determinant or $0 for Firm Transportation customers

Volumetric Charge:

C-1: $.040471 per therm of consumption
C-2: FES Monthly Commodity Rate, pursuant to Rider "A" and Special Provision (x), OR Customer Owned Gas Clause, Rider "D"
C-3: $.174100 per therm of consumption
C-4: Escalator Rate – Charge may change monthly pursuant to Standard Gas Service Addendum.

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(1) Please refer to Appendix A for components of Monthly Rates.
(2) Please refer to Special Provision (p)

FIRM ELECTRIC SERVICE (FES)
(Continued)

MINIMUM BILL: The monthly D-1 and D-2 charge, irrespective of use.

LINE LOSS:

Line Loss shall be 1.43% as provided in Special Provision (d).

APPLICABLE RIDERS:

Basic Gas Supply Clause:	The C-2 Rate is depicted on Rider A to this tariff, and is subject to adjustment pursuant to Special Provision (x) of this Rate Schedule.
Customer Owned Gas Clause:	The C-2 Volumetric Charge is subject to adjustment, pursuant to Rider "D" of this Tariff, if the customer so requests in an executed Standard Gas Service Agreement (FES).
Societal Benefits Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "E" of this Tariff.
Energy Efficiency Tracker:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "N" of this Tariff.

TERMS OF PAYMENT:

Payment of all bills must be received in full at the Company's designated office within fifteen (15) days of the billing date; provided however, the Company shall take into account any postal service delays of which the Company is advised. If the fifteenth (15th) day falls on a non-business day, the due date shall be extended to the next business day. Should the customer fail to make payment as specified, the Company may, beginning on the twenty-sixth (26th) day, assess simple interest at a rate equal to the prime rate as published in the Money Rates column in The Wall Street Journal. A late payment charge shall not be assessed on a residential customer, or on State, county or municipal government entities.

TERM:

Customer may discontinue service upon written notice to the Company, pursuant to the conditions of the Company's Standard Gas Service Agreement (FES).

TERMS AND CONDITIONS:

The General Terms and Conditions of this Tariff are incorporated into this rate schedule and this rate schedule shall be interpreted in accordance therewith.

FIRM ELECTRIC SERVICE (FES)
(Continued)

SPECIAL PROVISIONS:

(a) Customer shall contract for service under the Company's Standard Gas Service Agreement (FES), specifying a Winter Daily Contract Demand, a Summer Daily Contract Demand, an Annual Billing Determinant (ABD) and Daily Billing Determinant. In any given calendar year, should an FES

customer not consume its ABD, the customer shall be billed the C-3 Charge for the difference in therms between the ABD and actual consumption.

(b) On any day during the Winter Season, an FES customer may request service above its Winter Daily Contract Demand, and the Company may provide such service in the Company's sole reasonable discretion. If the FES customer requests such service, and such request is granted by the Company, (in addition to charges set forth in the Monthly Rate Section of this Rate Schedule FES) the customer will be charged 1.5 times the 100% load factor equivalent of the Winter D-1 and one times the D-2 Charge for the difference between the amount authorized by the Company for that day and the customer's Winter Daily Contract Demand, irrespective of whether the customer consumes this amount. Any consumption under this Special Provision (b) shall not be applied to meet the customer's requirement to consume its ABD pursuant to Special Provision (a).

(c) During the Winter Season an FES Firm Sales Service or Firm Transportation Service customer may not exceed the stated Winter Daily Contract Demand in the Standard Gas Service Agreement (FES) during a twenty-four (24) hour period without authorization from the Company. Any customer who uses in excess of its Winter Daily Contract Demand without authorization, or if applicable, a larger amount authorized by the Company (excess usage), may be subject to an additional charge (in addition to charges set forth in the Monthly Rate Section of this Rate Schedule FES), for such excess use. Such additional charge shall equal ten (10) times the highest price of the daily ranges for that month that are published in the Gas Daily in the table "Daily Price Survey" for delivery to "Transco, Zone 6 Non-N.Y.". This charge shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of Transcontinental Gas Pipe Line Corporation. The customer shall also be charged 1.5 times the 100% load factor equivalent of the Winter D-1 Charge for all excess usage. Provided, however, that the Company may waive such charges if customer demonstrates extenuating circumstances. The imposition of such additional charges shall not restrict the Company's right to interrupt or curtail this service.

(d) For Firm Transportation Service customers, the receipt of gas by the Company for transportation under this Rate Schedule FES shall equal the delivery of said gas to the customer on a daily basis, less a percentage for line loss. The line loss factor to be utilized will be the Company-wide line loss percentage.

(e) In the Standard Gas Service Agreement (FES) customer shall designate the facility (or facilities) at which service will be received under this Rate Schedule (FES) ("FES Facility").

(f) RESERVED FOR FUTURE USE

(g) RESERVED FOR FUTURE USE

FIRM ELECTRIC SERVICE (FES)
(Continued)

(h) The Company may install an electronic data collection system pursuant to Section 6.1 of the General Terms and Conditions of this Tariff. The Company shall provide technical assistance in order to minimize the customer's expense for such installation.

(i) Service pursuant to this Rate Schedule FES shall be provided within the existing limitations of Company's system, and Company shall not be required to expand or alter the said system. Should Company, prior to the institution of service under this Rate Schedule FES in its sole reasonable discretion, elect to expand or alter its system in order to provide service pursuant to this Rate Schedule FES, the Company may require the customer to make a payment towards all or a part of the cost of the said expansion or alteration as Company shall determine in Company's discretion. Provided, however, that before making such expansion or alteration, Company shall provide an estimate in writing of the cost of such expansion or alteration to customer. Provided, however, that the making of such a payment shall give the customer no interest in the Company's system. All rights, including the rights of ownership and possession, shall be vested exclusively in the Company.

(j) The Company may, at its sole reasonable discretion, offer a Winter and Summer D-1 Demand Charge and a C-3 Volumetric Charge on a negotiated basis. The D-1 charges, in conjunction with the C-3 charge, may not be lower than an amount sufficient to generate a reasonable return on capital investments made by the Company to provide service under this Rate Schedule FES and recovery of marginal and embedded costs, including depreciation. Such an offer shall be based upon cost of service and value of service considerations, including but not limited to such factors as: (1) proximity of customer to the Company's transmission lines; (2) whether the customer will utilize the Company's interstate pipeline capacity; (3) whether the customer will provide its own gas supply; (4) level of interruption elected by the customer pursuant to Special Provision (r) of this Rate Schedule; and (5) other pertinent factors. Such negotiated rates shall be set forth in the Standard Gas Service Agreement (FES) and filed with the Board within thirty (30) days of execution, for approval. Service Agreements containing the Benchmark Rates shown in the Monthly Rate section of this Rate Schedule (FES) shall not require filing with the Board. All agreements submitted to the Board for approval with a term of greater than five (5) years, must be accompanied by a justification for the extended term. The Company, the customer, the Board and its Staff shall treat any Standard Gas Service Agreement (FES) filed or to be filed with the Board, any petition related thereto, supporting documentation or any discovery related thereto as proprietary and trade secrets of the Company. As such, the contents of such material shall not be disclosed to any party, unless that party executes a confidentiality agreement acceptable to the Company.

(k) The D-2 Charge set forth above is subject to an annual adjustment, which shall be made in the same proceeding in which the Company's Basic Gas Supply Service rates are established pursuant to Rider "A" of this Tariff. The D-2 Charge shall equal one half (1/2) the weighted average of all interstate pipeline demand charges imposed upon the Company, applicable October 1 of each year, plus applicable taxes. Said D-2 Charge will recover any pipeline demand charges, gas inventory charges, gas reservation charges, direct bill take-or-pay surcharges and similar charges. The C-2 Charge includes all commodity cost of gas to the Company other than the commodity cost of liquefied natural gas plus applicable taxes.

FIRM ELECTRIC SERVICE (FES)
(Continued)

(l) On or before the twentieth day of each calendar month the customer shall provide to the Company, on a form to be provided by the Company, a Notice of Intent relative to Rider D. On said form customer shall advise Company as to whether it will only provide its own gas for delivery under Rider D, including potential peak day usage, or purchase some amount of the Company's gas under this Rate Schedule FES for the month succeeding delivery of said form. If during the month succeeding delivery of said form the customer requires gas supplies from the Company, over and above those so designated on the Notice of Intent, the Company will provide such supplies assuming availability of said supplies and interstate pipeline capacity. The Company's offer to provide such supplies shall include a rate for such gas which is no lower than the C-2 rate set forth in the Monthly Rate section of this Rate Schedule FES. If the FES customer accepts the rate so offered by the Company, the Company will give adequate notice of said offer and acceptance to the Board.

(m) An FES customer who holds clear and marketable title to gas and who provides its own firm interstate pipeline capacity to the Company's City Gate Station may request authorization from the Company for discount of the Firm D-2 charge as set forth in the Monthly Rate Section of this Rate Schedule FES; provided, however, that said D-2 charges shall in no event be discounted for direct bill take-or-pay surcharges and similar charges.

(n) Any charges imposed pursuant to the above Special Provisions of this Rate Schedule FES shall be in addition to other charges imposed pursuant to this Rate Schedule FES.

(o) A Customer generating electricity, that qualifies pursuant to the provisions of N.J.S.A. 54:30A 50(c) shall be entitled to an appropriate rate reduction, to reflect the tax exemption.

(p) Notwithstanding any other provisions of this Rate Schedule FES, customers who have previously executed a Standard Gas Service Agreement (LVCS) shall continue, from and after the date of acceptance of this Rate Schedule FES, for as long as such previously executed Standard Gas Service Agreement (LVCS) shall remain in effect, to be charged in accordance with the terms of the existing Standard Gas Service Agreement (LVCS). In this regard, such customers shall continue to be charged the LVCS D-1 and C-3 rates now charged by the Company, pursuant to existing Standard Gas Service Agreements (LVCS), until such customers no longer receive service pursuant to such Standard Gas Service Agreements (LVCS). This Special Provision (q) shall be applicable to those Standard Gas Service Agreements (LVCS) in existence prior to August 29, 2003.

FIRM ELECTRIC SERVICE (FES)
(Continued)

(q) The customer shall indicate in the Standard Gas Service Agreement (FES) the maximum number of days during the Winter Season during which some or all of the customer's Winter Daily Contract Demand shall be interrupted. Due to system constraints, the Company may instruct one or all FES customer's to limit all or a portion of the customer's Winter Daily Contract Demand during a given twenty-four (24) hour period. Such instructions may be given orally or in writing but may be given no more then the number of days of permissible interruption specified in the Standard Gas Service Agreement (FES). Any customer who uses gas in excess of the amount to which the customer is interrupted during a given twenty-four (24) hour period may be subject to an additional charge (in addition to the charges set forth in the Monthly Rate Section of this Rate Schedule FES). Such additional charge shall be equal to ten (10) times the highest price of the daily ranges for that month that are published in Gas Daily in the table "Daily Price Survey" for delivery to "Transco, Zone 6 non-N.Y.". This charge shall not be lower then the maximum penalty charge for unauthorized daily overruns as provided in the FERC-approved gas tariffs of Transcontinental Gas Pipe Line Corporation. Provided, however, that the Company may waive such charges if a customer demonstrates extenuating circumstances. The imposition of such additional charges shall not restrict the Company's right to interrupt or curtail this service.

(r) Pursuant to this Rate Schedule FES, when it is appropriate to charge a customer the 100% load factor equivalent of a Demand Charge, the same shall be calculated by dividing the Demand Charge by (30.4 x Therm Factor x 10).

(s) The D-1 and C-3 rates set forth in the Monthly Rate section of this Rate Schedule FES are "Benchmark" Rates. Unless different rates are offered and accepted pursuant to Special Provision (j) the Benchmark Rates will be applicable.

(t) If the Benchmark Rates are applicable, the Customer will be subject to all future rate changes to such Benchmark Rates approved by the Board. Provided, however, that if negotiated rates are applicable, those negotiated rates will be subject to the same percentage changes that the Benchmark Rates are subject to through appropriate base rate proceedings. Provided, however, that agreements for negotiated rates may provide that the same percentage changes will not apply, if the Company provides justification for such non-applicability, and the Board finds it to be reasonable.

(u) For all customers who become customers under this Rate Schedule FES after July 1, 2004, any increases or decreases to Rider "B", Rider "E", and Rider "I" shall be applicable to the Benchmark Rates, as well as negotiated rates.

FIRM ELECTRIC SERVICE (FES)
(Continued)

(v) As of July 6, 2004, only one customer was receiving service under this Rate Schedule FES. Notwithstanding any other provision of this Rate Schedule FES, that customer's existing Standard Gas Service Agreement ("FES"), and amendments and addenda thereto (the "Existing Agreement") will continue in effect without modification to its terms or the rates paid. The Existing Agreement will only remain in effect if on or before August 16, 2004, the Company files a new Standard Gas Service Agreement ("FES") (the "Replacement Agreement") for approval by the Board. If the Replacement Agreement is not filed on or before August 16, 2004, then the FES customer will be invoiced at the Benchmark rates contained in this Rate Schedule FES. If the Replacement Agreement is filed on or before August 16, 2004, then the Existing Agreement will remain in effect, until the Board acts upon the Replacement Agreement.

(w) The FES Monthly Commodity rate shall be calculated each month pursuant to the Monthly BGSS Subrider of the Basic Gas Supply Service Clause to this Tariff, except that paragraph (3) of the Monthly Formula in the Monthly BGSS Subrider shall not apply to FES customers At any time during the month after the FES Monthly Commodity rate has been established, the Company may file a higher or lower rate to reflect changes or anticipated changes in gas costs. Such change may be made at the sole option of the Company after 3 hours advance notice, by telephone or otherwise, has been given to the Board and affected consumers.

ELECTRIC GENERATION SERVICE (EGS)

APPLICABLE TO USE OF SERVICE FOR:

Residential, commercial and industrial uses for electric generation facilities (excluding back-up generator equipment); all Prime Movers; and all engine driven equipment (whether or not used for electric generation). Provided, however, that in order to be eligible for this Rate Schedule EGS, a customer must have a Firm Daily Contract Demand of less than 200 Mcf per day; provided, however, that a residential EGS customer will have no Firm Daily Contract Demand. To be eligible for Firm Transportation Service under this Rate Schedule EGS, a customer must hold clear and marketable title to gas that is made available for delivery to customer's facility on the Company's system.

CHARACTER OF SERVICE:

Firm Sales Service and Firm Transportation Service

MONTHLY RATE: (1)(2)

Residential Customer Charge:

$9.618800 per month

Residential Delivery Charge

Residential Volumetric Charge: $.221371 per therm

Commercial and Industrial Customer Charge:

$80.156250~~26.718800~~ per month

Commercial and Industrial Delivery Charge:

Commercial and Industrial Demand Charge:

D-1 Charge: $8.817188~~6.946900~~ per Mcf of contract

Volumetric Charges:

Winter Season (effective during billing months of November through March):

All Consumption for Firm Sales Service and Firm Transportation Service ~~$.224779 per therm~~

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(1) Please refer to Appendix A for components of Monthly Rates.
(2) See Special Provision (k) of this Rate Schedule EGS, regarding appropriate balancing charges.

SOUTH JERSEY GAS COMPANY

~~All Consumption for Firm Transportation Service~~ $.253398~~224779~~ per therm

ELECTRIC GENERATION SERVICE (EGS)
(Continued)

Summer Season (effective during billing months of April through October):

All Consumption for Firm Sales Service and Firm Transportation Service

$.221335~~192716~~ per therm

~~All Consumption for Firm Transportation Service $.192716 per therm~~

Basic Gas Supply Service ("BGSS") Charge:

Applicable to customers who elect Firm Sales Service
~~All Consumption~~ See Rider "A" of this Tariff.

LINE LOSS:

Line Loss shall be 1.43% as provided in Special Provision (p).

APPLICABLE RIDERS:

Basic Gas Supply Service Clause:	BGSS charges are depicted in Rider "A" of this Tariff.
Societal Benefits Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "E" of this Tariff.
Balancing Service Clause	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "J" of this Tariff. However, also see Special Provision (k) regarding Rider "I".
Energy Efficiency Tracker:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "N" of this Tariff.

TERMS OF PAYMENT:

Payment of all bills must be received in full at the Company's designated office within fifteen (15) days of the billing date; provided however, the Company shall take into account any postal service delays of which the Company is advised. If the fifteenth (15th) day falls on a non-business day, the due date shall be extended to the next business day. Should the customer fail to make payment as specified, the Company may, beginning on the twenty-sixth (26th) day, assess simple interest at a rate equal to the prime rate as published in the Money Rates column in The Wall Street Journal. A late payment charge shall not be assessed on a residential customer, or on

State, county or municipal government entities.

ELECTRIC GENERATION SERVICE (EGS)
(Continued)

TERM:

The Company may offer service to a customer provided that the customer and the Company contract for service under the Company's Standard Gas Service Agreement (EGS). The Company shall be obligated to offer the customer a contract under this Rate Schedule EGS for service for a minimum of a 12 month period.

TERMS AND CONDITIONS:

The General Terms and Conditions of this Tariff are incorporated into this rate schedule and this rate schedule shall be interpreted in accordance therewith.

SPECIAL PROVISIONS:

(a) EGS equipment must be metered and billed separately from all other gas equipment that may be used in a customer's facility.

(b) The Company will not accept gas for delivery to Firm Transportation Service customers that will: (1) adversely impact the Company's rights to current or future supply or transportation allocations; or (2) impose any financial or burdensome administrative obligation on the Company that would not have existed without acceptance of such delivery by the Company.

(c) The Firm Transportation Service customer bears sole responsibility for costs incurred to deliver customer owned gas to the Company's City Gate Station and to provide interstate pipeline capacity.

(d) The Firm Transportation Service customer shall be required to reimburse the Company for any out-of-pocket expenses incurred in any financial or burdensome administrative obligation, the Company may impose a surcharge therefore.

(e) Firm Transportation Service customers may not arrange for delivery to the Company, on any day, of gas volumes in excess of customer's then applicable Daily Contract Quantity ("DCQ") (or the quantity of gas burned daily if the Rider "I" customer has no DCQ) unless authorized to do so by the Company; provided, however, that said excess deliveries may be authorized by the Company to cure a Deficiency Imbalance.

(f) For Firm Transportation Service customers, the existence of imbalances as defined in Rider "I" or Rider "J" will be determined each day. If at the beginning of a day a customer has an imbalance, the gas to fulfill that customer's Daily Contract Quantity ("DCQ") (or the quantity of gas burned on that day for a Rider "I" customer who has no DCQ) for that day will be the first gas through the City Gate Station for the customer's account on that day. Gas to correct existing imbalances will be considered as the last gas coming through the City Gas Station for that customer's account on that day.

ELECTRIC GENERATION SERVICE (EGS)
(Continued)

(g) Due to system constraints, the Company may instruct some or all EGS Firm Sales Service or Firm Transportation Service customers not to exceed the stated Firm Daily Contract Demand in the Standard Gas Service Agreement (EGS) during a given twenty-four (24) hour period. Said instruction may be given orally or in writing. Any customer who then uses in excess of its Firm Daily Contract Demand may be subject to an additional charge (in addition to the charges set forth in the Monthly Rate Section of this Rate Schedule EGS). Such additional charge shall equal ten (10) times the highest price of the daily ranges for that month that are published in the Gas Daily in the table “Daily Price Survey” for delivery to “Transco, zone 6 non-N.Y.”. This charge shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of Transcontinental Gas Pipe Line Corporation. Provided, however, that the Company may waive such charges if a customer demonstrates extenuating circumstances. The imposition of such additional charges shall not restrict the Company's right to interrupt or curtail this service.

(h) If during any month a Firm Sales Service or Firm Transportation Service customer having Alternate Fuel Capability utilizes gas in excess of the stated Firm Daily Contract Demand in the Standard Gas Service Agreement (EGS), multiplied by the number of days in that month, or if applicable, a larger amount authorized by the Company, such excess shall be deemed utilized for interruptible uses, and may be billed pursuant to Rate Schedule IGS or ITS, as applicable.

(i) If during any month a Firm Sales Service or Firm Transportation Service customer without Alternate Fuel Capability utilizes gas in excess of the stated Firm Daily Contract Demand in the Standard Gas Service Agreement (EGS), or if applicable, a larger amount authorized by the Company, such customer may be subject to an additional charge (in addition to the charges set forth in the Monthly Rate Section of this Rate Schedule EGS). Such additional charge shall equal ten (10) times the highest price of the daily ranges for that month that are published in the Gas Daily in the table “Daily Price Survey” for delivery to “Transco, zone 6 non-N.Y.”, multiplied by the number of days in that month. This daily charge shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of Transcontinental Gas Pipe Line Corporation. Provided, however, that the Company may waive such charges if a customer demonstrates extenuating circumstances. The imposition of such additional charges shall not restrict the Company’s right to interrupt or curtail this service.

(j) The rates set forth in the Delivery Charge section of this Rate Schedule EGS assume that the customer receives balancing service under Rider “J” to this Tariff. If the customer selects balancing service under Rider “I” of this Tariff, then the Delivery Charges will be adjusted to reflect the Rider “I” Charges.

(k) The Company may install an electronic data collection system pursuant to Section 6.1 of the General Terms and Conditions of this Tariff. The Company shall provide technical assistance in order to minimize the customer’s expense for such installation.

ELECTRIC GENERATION SERVICE (EGS)
(Continued)

(l) To be eligible for Firm Transportation Service under this Rate Schedule EGS, a customer must hold clear and marketable title to gas that is made available for delivery to the customer's facility on the Company's system.

(m) A Customer generating electricity, that qualifies pursuant to the provisions of N.J.S.A. 54:30A-50(c) shall be entitled to an appropriate rate reduction, to reflect the tax exemption.

(n) A Firm Transportation Service customer scheduling gas for delivery may not schedule less than one dekatherm of gas for delivery under this Rate Schedule EGS on any day. All scheduling must be done in whole number dekatherms.

(o) For Firm Transportation Service customers, the receipt of gas by the Company for transportation under this Rate Schedule EGS shall equal the delivery of said gas to the customer on a daily basis, less a percentage for line loss. The line loss factor to be utilized will be the Company-wide line loss percentage.

ELECTRIC GENERATION SERVICE – LARGE VOLUME (EGS-LV)

APPLICABLE TO USE OF SERVICE FOR:

All commercial and industrial electric generation facilities; all Prime Movers and all engine driven equipment (whether or not used for electric generation). Provided, however, that in order to be eligible for this Rate Schedule EGS-LV, a customer must have a Firm Daily Contract Demand of 200 Mcf per day or more. To be eligible for Firm Transportation Service under this Rate Schedule EGS-LVS, a customer must hold clear and marketable title to gas that is made available for delivery to customer's facility on the Company's system.

CHARACTER OF SERVICE:

Firm Sales Service, Firm Transportation Service, Limited Firm Sales Service and Limited Firm Transportation Service.

MONTHLY RATE: (1)

Customer Charge:

$961.875000~~192.3750~~ per month

FIRM:

Demand Charges: (2)

D-1 $28.364033~~22.134858~~ per Mcf of Firm Daily Contract Demand.

D-2 $15.563489 per Mcf of Firm Daily Contract Demand or $0 for Firm Transportation customers.

Volumetric Charge:

C-1: $.040471 per therm of consumption

C-2: As depicted in the Monthly BGSS Subrider of Rider "A" of this Tariff, OR Customer Owned Gas Clause, Rider "D"

Minimum Bill: Monthly D-1 and D-2 charges, irrespective of use.

LIMITED FIRM:

Demand Charge:

D-2 $7.970128 per Mcf of Limited Firm Daily Contract Demand or $0 for Limited Firm Transportation customers

Volumetric Charge: (2)

C-1: $.040471 per therm of consumption

C-2: As depicted in the Monthly BGSS Subrider of Rider "A" of this Tariff, OR Customer Owned Gas Clause, Rider "D"

C-3 $.174100 per therm for all consumption within Limited Firm Contract Demand level.[1]

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(1) Please refer to Appendix A for components of Monthly Rates.

(2) Please refer to Special Provision (j).

ELECTRIC GENERATION SERVICE – LARGE VOLUME (EGS-LV)
(Continued)

Minimum Bill: Monthly D-2 charge, irrespective of use.

LINE LOSS

Line Loss shall be 1.43% as provided in Special Provision (j).

APPLICABLE RIDERS:

Basic Gas Supply Service Clause:	The C-2 rate is depicted in Rider "A" of this Tariff.
Societal Benefits Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "E" of this Tariff.
Customer Owned Gas Clause:	The Firm and Limited Firm C-2 Volumetric Charges are subject to adjustment, pursuant to Rider "D" of this Tariff, if so elected in an executed Standard Gas Service Agreement (EGS-LV).
Balancing Service Clause:	All gas delivered to customers under this Rate Schedule EGS-LV is subject to Rider "I" of this Tariff.
Energy Efficiency Tracker:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "N" of this Tariff.

All rates, except for the Firm and Limited Firm C-2 Volumetric Charges, are subject to Special Provision (e) of this Rate Schedule (EGS-LV).

TERMS OF PAYMENT:

Payment of all bills must be received in full at the Company's designated office within fifteen (15) days of the billing date; provided however, the Company shall take into account any postal service delays of which the Company is advised. If the fifteenth (15th) day falls on a nonbusiness day, the due date shall be extended to the next business day. Should the customer fail to make payment as specified, the Company may, beginning on the twenty-sixth (26th) day, assess simple interest at a rate equal to the prime rate as published in the Money Rates column in The Wall Street Journal. A late payment charge shall not be assessed on a residential customer, or on State, county or municipal government entities.

TERM:

Customer may discontinue service upon written notice to the Company, pursuant to the conditions of the Company's Standard Gas Service Agreement (EGS-LV). The Company will continue service, and take all steps it deems reasonable to provide such service during the term specified in the Standard Gas Service Agreement (EGS-LV). Provided, however, that each year effective November 1 such agreement is subject to revision by the Company to reflect its ability to continue service at Standard Gas Service Agreement (EGS-LV) levels. No change in service level shall be effective unless the Company notifies the customer on or before May 1 of any year. Based upon such review, the Company may advise the customer that the Company cannot provide service

ELECTRIC GENERATION SERVICE – LARGE VOLUME (EGS-LV)
(Continued)

at such levels for the ensuing 12 month period, and further advise the customer as to what levels of service the Company can provide for such period. The customer shall have thirty (30) days from such notice to accept the revised levels of service, or terminate the Standard Gas Service Agreement (EGS-LV) effective the following November 1. If the customer does not so notify the Company of termination, in writing, the Standard Gas Service Agreement (EGS-LV) will be deemed revised to reflect the new levels of service, and in all other respects will remain in full force and effect. The Company will determine that a revision to levels of service specified in the Standard Gas Service Agreement (EGS-LV) is necessary, if not making such revisions would impact the Company's ability to provide service under Rate Schedules RSG, GSG, LVS, YLS, SLS or successor rate schedules.

TERMS AND CONDITIONS:

The General Terms and Conditions of this Tariff are incorporated into this rate schedule and this rate schedule shall be interpreted in accordance therewith.

SPECIAL PROVISIONS:

(a) Equipment served under this Rate Schedule EGS-LV must be metered separately from all other gas that may be used in a customer's facility. At the Company's request, the Company will be provided with all engineering drawings related to the flow of fuel within the customer's facility and will be provided with physical access to the customer's facility to confirm conformity with this Special Provision (a).

(b) The Company may install an electronic data collection system pursuant to Section 6.1 of the General Terms and Conditions of this Tariff. The Company shall provide technical assistance in order to minimize the customer's expense for such installation.

(c) It is contemplated that service pursuant to this Rate Schedule EGS-LV shall be provided within the existing limitations of Company's system, and Company shall not be required to expand or alter the said system. Should Company, prior to the institution of service under this Rate Schedule EGS-LV in its sole reasonable discretion, elect to expand or alter its system in order to provide service pursuant to this Rate Schedule EGS-LV, Company may require the customer to make a payment towards all or a part of the cost of the said expansion or alteration as Company shall determine in Company's sole reasonable discretion. Provided, however, that before making such expansion or alteration, Company shall provide an estimate in writing of the cost of such expansion or alteration to customer. Provided, however, that the making of such a payment shall give the customer no interest in the Company's system. All rights, including the rights of ownership and possession, shall be vested exclusively in the Company.

(d) Due to system constraints, the Company may instruct any one or all EGS-LV customers to limit all or any portion of customer's EGS-LV Limited Firm Daily Contract Demand usage during a given twenty-four (24) hour period. Said instructions may be given orally or in writing but may be given on a maximum of sixty (60) days in any Winter Season. As used in this Rate Schedule EGS-LV "Winter Season" shall mean a period embracing the months of November through March, running consecutively. Such instructions shall only be given if, in the Company's sole reasonable discretion, service to its RSG, GSG, GSG-LV, LVS, EGS, YLS, SLS (or

ELECTRIC GENERATION SERVICE – LARGE VOLUME (EGS-LV)
(Continued)

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

(e) The Company may, at its sole reasonable discretion, offer a D-1 Demand Charge and a C-3 Commodity Charge on a negotiated basis. The D-1 charge, taken in combination with the Limited Firm C-3 charge, if applicable, may not be lower than an amount sufficient to generate a reasonable return on capital investments made by the Company and recovery of marginal and embedded costs, including depreciation, to provide service under this Rate Schedule EGS-LV. If such an offer is made it shall be based upon cost of service and value of service considerations, including but not limited to such factors as: (1) proximity of customer to the Company's transmission lines; (2) whether the customer will utilize the Company's interstate pipeline capacity; (3) whether the customer will provide its own gas supply; and (4) other pertinent factors. Such negotiated percentages and resultant rates shall be set forth in the Standard Gas Service Agreement (EGS-LV) and filed with the Board within thirty (30) days of execution, for approval. Service Agreements providing that the customer will pay the Benchmark Rates shown in the Monthly Rate section of this Rate Schedule (EGS-LV) shall not require filing with the Board. The Benchmark Rates contained in service agreements shall be subject to modification as provided by Special Provision (m) of this Rate Schedule EGS-LV. All agreements submitted to the Board shall contain an explanation regarding the term of the agreement. The Company, the customer, the Board and its Staff shall treat any Standard Gas Service Agreement (EGS-LV) filed or to be filed with the Board, any petition related thereto, supporting documentation or any discovery related thereto as proprietary and trade secrets of the Company. As such, the contents of such material shall not be disclosed to any party, unless that party executes a confidentiality agreement acceptable to the Company.

(f) The Firm and Limited Firm D-2 charges, and Firm and Limited Firm C-2 charge set forth above are subject to adjustment pursuant to Rider "A" of this Tariff. The Firm D-2 charge includes the highest interstate pipeline contract demand charge applicable to the Company at October 1 of each year, which will include, but not be limited to, pipeline demand charges, reservation fees, gas inventory charges and direct bill take-or-pay surcharges, plus applicable taxes. The Limited Firm D-2 charge shall equal one-half (1/2) the weighted average of all interstate pipeline demand charges applicable to the Company at October 1 of each year which will include, but not be limited to, pipeline demand charges, reservation fees, gas inventory charges and direct bill take-or-pay surcharges, plus applicable taxes. The Firm and Limited Firm D-2 charges will also recover all appropriate charges pursuant to Rider "G", of this Tariff.

(g) If during any month a customer utilizes gas in excess of that customer's aggregate Firm Daily Contract Demand for said month, or if applicable, a larger amount authorized by the Company, such usage may be subject to an additional charge (in addition to the charges set forth in the Monthly Rate section of this Rate Schedule EGS-LV). Such additional charge shall equal ten (10) times the highest price of the

ELECTRIC GENERATION SERVICE – LARGE VOLUME (EGS-LV)
(Continued)

daily ranges for that month that are published in Gas Daily in the table "Daily Price Survey" for delivery to "Transco, zone 6 non-N.Y.". This rate shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of Transcontinental Gas Pipe Line Corporation.

(h) A Customer generating electricity that qualifies pursuant to the provisions of N.J.S.A. 54:30A-50(c) shall be entitled to an appropriate rate reduction, to reflect the tax exemption.

(i) For Firm Transportation Service customers, the receipt of gas by the Company for transportation under this Rate Schedule EGS-LV shall equal the delivery of said gas to the customer on a daily basis, less a percentage for line loss. The line loss factor to be utilized will be the Company-wide line loss percentage.

(j) Notwithstanding any other provisions of this Rate Schedule EGS-LV, customers who have previously executed a Standard Gas Service Agreement (LVCS) shall continue, from and after June 30, 2004, and for as long as such previously executed Standard Gas Service Agreement (LVCS) shall remain in effect, to be charged in accordance with the terms of the existing Standard Gas Service Agreement (LVCS), and any addenda or amendments thereto. In this regard, such customers shall continue to be charged the LVCS D-1 and C-3 rates now charged by the Company, pursuant to the existing Standard Gas Service Agreements (LVCS), and any addenda or amendments thereto, until such customers no longer receive service pursuant to such Standard Gas Service Agreements (LVCS), and any addenda or amendments thereto. This Special Provision (k) shall be applicable to those Standard Gas Service Agreements (LVCS), and any addenda or amendments thereto in existence prior to August 29, 2003.

(k) The D-1 and C-3 rates set forth in the Monthly Rate section of this Rate Schedule EGS-LV are "Benchmark" Rates. Unless different rates are offered and accepted pursuant to Special Provision (e) the Benchmark Rates will be applicable.

(l) If the Benchmark Rates are applicable, the Customer will be subject to all future rate changes to such Benchmark Rates approved by the Board. Provided, however, that if negotiated rates are applicable, those negotiated rates will be subject to the same percentage changes that the Benchmark Rates are subject to through appropriate base rate proceedings. Provided, however, that agreements for negotiated rates may provide that the same percentage changes will not apply, if the Company provides justification for such non-applicability, and the Board finds it to be reasonable.

(m) For all customers who become customers under this Rate Schedule EGS-LV after July 1, 2004, any increases or decreases to Rider "E" and Rider "I" shall be applicable to the Benchmark Rates, as well as negotiated rates.

(n) Customers subscribing to this Rate Schedule EGS-LV may elect the "opt-out" provision provided for in the Standard Gas Service Agreement (EGS). Such an "opt-out" customer will have no right or entitlement to have base load gas provided by the Company. Provided, however, that a customer electing the "opt-out" provision shall be eligible to receive balancing services from the Company pursuant to appropriate rate schedules and riders. In the case that an "opt-out" customer can not provide for its capacity, gas supply, or both, the customer must either discontinue the use of base load

ELECTRIC GENERATION SERVICE – LARGE VOLUME (EGS-LV)
(Continued)

gas or have it provided by South Jersey at the incremental price. The incremental price charged to an "opt-out" customer shall be the sum of: (1) the highest commodity cost of gas paid by the Company during the month in which the "opt-out" customer uses "Company" gas; and (2) the higher of the cost of incremental capacity needed to serve the returning "opt-out" customer or the system weighted average cost of capacity, plus other charges which must be paid by customers eligible for South Jersey's Monthly BGSS charge.

(o) An "opt-out" customer will become eligible to purchase base load gas from the Company, or transport gas without "opt-out" status upon six months' notice to the Company of intention to no longer be an "opt-out" customer. It will not be necessary for an EGS-LV "opt-out" customer to execute a new Standard Gas Service Agreement in order to purchase base load gas from the Company or transport gas without "opt-out" status. However, the customer must commit to purchase base load gas or transport gas without "opt-out" status for a minimum of one year. At the end of the six month period specified in said notice, the customer shall no longer be obligated to pay the incremental prices set forth above. However, said customer will then be obligated to pay the higher balancing charge of $0.126 per Dt, including taxes. The Company will not have the right to waive this six month notice requirement.

(p) Customer shall contract for service under the Company's Standard Gas Service Agreement (EGS).

YARD LIGHTING SERVICE (YLS)

APPLICABLE TO USE OF SERVICE FOR:

Gas yard lighting where service is supplied through an installation furnished by the customer and approved by the Company. Each installation shall contain 1 upright mantle or 2 inverted mantles.

This rate is available only to an existing customer receiving service under this Rate Schedule, YLS, and not having other metered Service at the customer's present location as of the effective date of this Tariff.

CHARACTER OF SERVICE:

Firm Sales Service.

MONTHLY RATE:

The monthly charge shall be $15.788121~~13.209924~~ per month for each installation.

TERMS OF PAYMENT:

Payment of all bills must be received in full at the Company's designated office within ten (10) days of the billing date.

TERM:

Customer may discontinue service upon adequate written notice to the Company.

TERMS AND CONDITIONS:

The General Terms and Conditions of this Tariff are incorporated into this rate schedule and this rate schedule shall be interpreted in accordance therewith.

STREET LIGHTING SERVICE (SLS)

APPLICABLE TO USE OF SERVICE FOR:

Gas Street lighting where service is supplied through an installation approved by the Company. Each installation shall contain three (3) inverted mantles.

This rate is available only to an existing customer receiving service under this Rate Schedule, SLS, and not having other metered service at the customer's present location as of the effective date of this Tariff.

CHARACTER OF SERVICE:

Firm Sales Service.

MONTHLY RATE:

The Monthly Rate shall be $19.111010~~16.331676~~ per month for each installation.

TERMS OF PAYMENT:

Payment of all bills must be received in full at the Company's designated office within ten (10) days of the billing date.

TERM:

Customer may discontinue service upon adequate written notice to the Company.

TERMS AND CONDITIONS:

The General Terms and Conditions of this Tariff are incorporated into this rate schedule and this rate schedule shall be interpreted in accordance therewith.

INTERRUPTIBLE GAS SERVICE (IGS)

APPLICABLE TO USE OF SERVICE FOR:

Interruptible uses of gas by all customers.

CHARACTER OF SERVICE:

Interruptible Sales Service.

Service will be provided when the Company in its sole reasonable discretion deems sufficient gas supplies to be available for said service. Service may be interrupted or curtailed at the sole option of the Company after not less than three (3) hours advanced notice by telephone or otherwise. During periods of interruption, the Company may permit the continued use of gas for pilots. When permitted, such usage shall not be subject to the terms of Special Provision (b) of this rate schedule.

MONTHLY RATE:

(a) The rate per therm of gas under this Rate Schedule, IGS, shall be designed to yield at least a profit of $.01 per therm, after consideration of Costs Applicable.

(i) For a customer that certifies that it has, or is capable of having, an Alternate Fuel Capability of No. 6 oil, the appropriate price shall be that of No. 6 oil; or

~~(ii) For a customer that certifies that it has, or is capable of having, an Alternate Fuel Capability of No. 4 oil, the appropriate price shall be that of No. 4 oil; or~~

(ii~~i~~) For a customer that does not certify that it has, or is capable of having, an Alternate Fuel Capability of ~~No. 4 oil or~~ No. 6 oil, the appropriate price shall be that of No. 2 oil.

(iii~~v~~) For a Rate Schedule FES customer, the appropriate price shall be price at which said customer certifies that it is able to purchase fuels.

(b) RESERVED FOR FUTURE USE.

(c) The rate set under this Rate Schedule shall be established on or about the 27th day of each calendar month for the month succeeding said calendar month. Provided, however, that such rate shall be filed with the Board at least three (3) business days prior to its effective date.

APPLICABLE RIDERS:

Societal Benefits Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "E" of this Tariff.
Energy Efficiency Tracker:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "N" of this Tariff.

INTERRUPTIBLE GAS SERVICE (IGS)
(Continued)

TERMS OF PAYMENT:

Payment of all bills must be received in full at the Company's designated office within fifteen (15) days of the billing date; provided however, the Company shall take into account any postal service delays of which the Company is advised. If the fifteenth (15th) day falls on a nonbusiness day, the due date shall be extended to the next business day. Should the customer fail to make payment as specified, the Company may, beginning on the twenty-sixth (26th) day, assess simple interest at a rate equal to the prime rate as published in the Money Rates column in The Wall Street Journal. A late payment charge shall not be assessed on a residential customer, or on State, county or municipal government entities.

TERM:

Customer may terminate service upon written notice to the Company, pursuant to the conditions of the Company's Standard Gas Service Agreement (IGS), if applicable; otherwise, in order to effectuate a termination, customer must provide adequate notice to the Company.

TERMS AND CONDITIONS:

The General Terms and Conditions of this Tariff are incorporated into this Rate Schedule and this Rate Schedule shall be interpreted in accordance therewith.

SPECIAL PROVISIONS:

(a) On or about the 27th day of each calendar month during months when the Company believes it is necessary to do so, the Company shall notify customers under this Rate Schedule of the volumes of gas to be allotted to each customer during the forthcoming month. Within five (5) days of receipt of such notice the customer must notify the Company in writing whether it will purchase all, some specific portion, or none of the allotted gas. The customer shall be obligated to purchase at least fifty percent (50%) of the amount which customer indicates it will purchase during the month. If the customer purchases less than fifty percent (50%), the customer will be billed for the difference between actual consumption and seventy-five percent (75%) at a rate equal to the Monthly BGSS charge. If the customer purchases more than 100% of the amount customer indicates it will purchase, or a greater amount if the customer is authorized to utilize a greater amount by the Company, the amount in excess of 100% will be deemed unauthorized and be subject to the charge in Special Provision (c) of this rate schedule. Provided, however, that the amount which the customer indicates it will purchase during the month shall be reduced to the extent that any unforeseen failure of equipment during such month results in reduced gas consumption by said customer.

Further provided, that if service under rate schedule IGS is interrupted during any month, the amount nominated by the customer to be purchased during the month will be reduced by multiplying said amount by a fraction: (1) the numerator of which is the number of days in the month less the number of days during the month in which the Company could not serve any interruptible gas to the customer; and (2) the denominator of which is the number of days in the month.

Issued January 27, 2017 **Effective with service rendered**
by South Jersey Gas Company, **on and after February 28, 2017**
D. Robbins, Jr., President
Filed pursuant to Order in Docket No. __________ of the Board of
Public Utilities, State of New Jersey, dated ___________

INTERRUPTIBLE GAS SERVICE (IGS)
(Continued)

On any day that the Company does not offer to the customer at least fifty percent (50%) of the customer's daily nominated amount of IGS gas, the customer will receive credit for having used fifty percent (50%) of the daily nominated amount, when determining the purchase obligation under this Special Provision (a) provided that the customer uses some IGS gas on that day.

(b) Any customer who does not accept gas offered under this Rate Schedule within the period of time allotted by the Company shall be deemed to have rejected such offer and waived all entitlements to the offered gas.

(c) Due to system constraints, the Company may instruct any one or all IGS customers not to consume in excess of a Stated Amount of gas during a given twenty-four (24) hour period. Said instruction may be given orally or in writing. Any customer who then uses in excess of the Stated Amount may be invoiced for an additional charge (in addition to the charges set forth in the Monthly Rate Section of this Rate Schedule IGS). Such additional charge shall equal ten (10) times the highest price of the daily ranges for that month that are published in the Gas Daily in the table “Daily Price Survey” for delivery to “Transco, zone 6 non-N.Y.”. This charge shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of Transcontinental Gas Pipe Line Corporation. Provided, however, that the Company may waive such charges if a customer demonstrates extenuating circumstances. The imposition of such additional charges shall not restrict the Company's right to interrupt or curtail this service.

(d) At any time prior to the inception of billing of a filed rate for a given month, the Company may file a lower rate for that month to reflect market conditions. Any customer who accepts the Company's offer to use gas under this Rate Schedule within the period of time allotted by the Company shall be allowed the benefit of any rate decreases the Company may file pursuant to this provision.

(e) Cogeneration equipment must be metered separately from all other gas that may be used in a customer's facility.

(f) The Company may, in its reasonable discretion invoice a customer for the costs associated with metering cogeneration consumption.

(g) As a condition precedent to service under this Rate Schedule IGS, written application will be required by the customer on either of the following, as appropriate: (1) Standard Gas Service Agreement (IGS); (2) Standard Gas Service Agreement (LV); (3) Standard Gas Service Agreement (GS); (4) Standard Gas Service Agreement (EGS); or (5) Standard Gas Service Agreement (ITS).

(h) Any time during the month after a filed rate has been established and after adequate notice has been given to the Board and said customers, the Company may file a higher or lower rate. Any increase or decrease pursuant to this provision shall take place as necessary during any month, and then only upon three (3) hours' advance notice to customers by telephone or otherwise.

(i) RESERVED FOR FUTURE USE.

INTERRUPTIBLE GAS SERVICE (IGS)
(Continued)

(j) If a customer receives service under this rate schedule, and has propane facilities on its premises, the customer shall receive no benefit or priority of entitlement to gas allocations from the Company, unless said benefit or priority is provided by applicable State or Federal laws or regulations.

(k) During a month the Company may determine that service rendered under this Rate Schedule IGS will not, on a monthly or seasonal basis (the winter season being December, January or February, and all else being the summer season) experience at least $.01 profit per therm. In said event, the Company may determine that a deficit accounting balance exists and may impose a surcharge upon customers purchasing gas under this Rate Schedule IGS. The surcharge shall be assessed against customers purchasing gas under this Rate Schedule IGS, based upon volumes consumed during the month or months in which said deficit accounting imbalance arose.

(l) As of November 1 of each year, customers purchasing gas pursuant to this Rate Schedule IGS whose alternate fuels are No. 2 oil, ~~No. 4 oil,~~ jet fuel or kerosene are required to have seven (7) days of Alternate Fuel Capability, or, if that customer's on-site Alternate Fuel Capability storage capacity is less than seven (7) days, then that customer must have its Alternate Fuel Capability filled to capacity, and must have an additional firm contractual alternate fuel supply arrangement, so that when the firm contractual alternate fuel supply arrangement is taken together with that customer's Alternate Fuel Capability on hand, the sum total shall equal seven (7) days. No customer shall be required to acquire or construct additional Alternate Fuel Capability storage capacity, in order to meet the terms of this Special Provision (l).

(m) On or before November 1 of each year, each customer receiving gas pursuant to this Rate Schedule IGS must supply a Certification to the Company, certifying that the customer has met the requirements of Special Provision (l).

(n) All customers receiving gas service pursuant to this Rate Schedule IGS, whose alternate fuel is not either No. 2 oil, ~~No. 4 oil,~~ jet fuel or kerosene, and all such customers who agree to suspend operations during an interruption of Rate Schedule IGS service, are not required to maintain Alternate Fuel Capability in accordance with Special Provision (l). However, all such customers must file a Certification with the Company, indicating the customer's alternate fuel, or indicating the customer's agreement to discontinue operations during an interruption of Rate Schedule IGS service.

(o) Wholesale electric generators, including cogeneration customers, are exempt from the requirements of Special Provisions (l), (m) and (n) of this Rate Schedule IGS.

(p) The Company may install an electronic data collection system pursuant to Section 6.1 of the General Terms and Conditions of this Tariff.

(q) Any charges imposed pursuant to the above Special Provisions of this Rate Schedule IGS shall be in addition to other charges imposed pursuant to this Rate Schedule IGS.

INTERRUPTIBLE TRANSPORTATION SERVICE (ITS)

APPLICABLE TO USE OF SERVICE FOR:

Interruptible uses of gas to customers who hold clear and marketable title to gas that is made available for transportation service on the Company's system. Pursuant to this Rate Schedule ITS, the Company shall transport gas made available for transportation from the Company's City Gate Station to a designated point of delivery.

CHARACTER OF SERVICE:

Interruptible Transportation Service.

MONTHLY RATE:

Service Charge:

$106.875000 per month

Billable for the duration of the Standard Gas Service Agreement (ITS). The Service Charge will not be prorated.

Transportation Charge:

(a) For transportation of gas by customers served under Rate Schedules CTS, LVS, FES, or EGS-LV or industrial customers who have an annualized average interruptible use of 200 Mcf or more per day:

$.030400 per therm

(b) For transportation of gas by customers served under Rate Schedules GSG or GSG-LV that certify that they have an Alternate Fuel Capability of No. 6 oil.

$.099600 per therm

(c) For transportation of gas not qualified for delivery under Paragraph (a) or (b) of this Transportation Charge:

$.163700 per therm

Line Loss:

Line Loss shall be 1.43% as provided in Special Provision (m).

INTERRUPTIBLE TRANSPORTATION SERVICE (ITS)
(C~~c~~ontinued)

APPLICABLE RIDERS:

Societal Benefits Clause:	All gas consumed under this Rate Schedule ITS is subject to adjustment pursuant to Rider "E" of this Tariff.
Balancing Service Clause:	All gas transported under this Rate Schedule ITS is subject to balancing requirements pursuant to Rate Schedule CTS, Rider "I" or Rider "J" of this Tariff.
Energy Efficiency Tracker:	All gas consumed under this Rate Schedule ITS is subject to adjustment ~~The rates set forth above have been adjusted, as is appropriate,~~ pursuant to Rider "N" of this Tariff.

TERMS OF PAYMENT:

Payment of all bills must be received in full at the Company's designated office within fifteen (15) days of the billing date; provided however, the Company shall take into account any postal service delays of which the Company is advised. If the fifteenth (15th) day falls on a nonbusiness day, the due date shall be extended to the next business day. Should the customer fail to make payment as specified, the Company may, beginning on the twenty-sixth (26th) day, assess simple interest at a rate equal to the prime rate as published in the Money Rates column in The Wall Street Journal. A late payment charge shall not be assessed on a residential customer, or on State, county or municipal government entities.

TERM:

Customer may discontinue service upon written notice to the Company, pursuant to the conditions of the Company's Standard Gas Service Agreement (ITS).

TERMS AND CONDITIONS:

The General Terms and Conditions of this Tariff are incorporated into this rate schedule and this rate schedule shall be interpreted in accordance therewith.

SPECIAL PROVISIONS:

(a) Customer shall contract for ITS service with Company and designate a Scheduled Daily Delivery on the prescribed Standard Gas Service Agreement (ITS). For a period concurrent with the term of the Standard Gas Service Agreement (ITS), the customer must have executed at least one of the following: a Standard Gas Service Agreement (GS); a Standard Gas Service Agreement (LV); a Standard Gas Service Agreement (EGS); a Standard Gas Service Agreement (FES); or, a Standard Gas Service Agreement (IGS).

(b) Gas transported under this Rate Schedule ITS shall be utilized solely in equipment for which the customer has, or is capable of having, an Alternate Fuel Capability.

(c) The Company will not accept gas for delivery that will: (1) adversely impact the Company's rights to current or future supply or transportation allocations; or (2) impose any financial or burdensome administrative obligation on the Company that would not have existed without acceptance of such delivery by the Company.

INTERRUPTIBLE TRANSPORTATION SERVICE (ITS)
(continued)

(d) The customer bears sole responsibility for costs incurred to deliver transportation gas to the Company's city gate station.

(e) Customer shall be required to reimburse the Company for any out-of-pocket expenses incurred in connection with the initiation and rendering of service under this Rate Schedule ITS. If the Company has accepted gas for delivery under this Rate Schedule and as a result thereof it incurs any financial or burdensome administrative obligation, the Company may impose a surcharge therefore.

(f) It is contemplated that service pursuant to this Rate Schedule ITS shall be provided within the existing limitations of Company's system, and Company shall not be required to expand or alter the said system.

(g) Should Company, in its sole discretion, elect to expand or alter its system in order to provide service pursuant to this Rate Schedule ITS, Company may require the customer to make a payment towards all or a part of the cost of the said expansion or alteration as Company shall determine in Company's discretion. Provided, however, that before making such expansion or alteration, Company shall provide an estimate in writing of the cost of such expansion or alteration to customer. Customer shall then have the option of terminating the Transportation Service Agreement within ninety (90) days of the receipt of such estimate by written notice of termination. If customer does not so terminate, customer shall be required to make the payment required by this Special Provision (h). Further, provided, however, that the making of such a payment shall give the customer no interest in the Company's system. All rights, including the rights of ownership and possession, shall be vested exclusively in the Company.

(h) Company retains sole reasonable discretion as to whether or not a particular customer or particular customers shall receive service pursuant to this Rate Schedule ITS.

(i) Transportation Service may be curtailed or discontinued at the sole option of the Company after not less than three (3) hours, advance notice by telephone or otherwise. However, the customer shall continue to hold title to any gas (less line loss) received by Company and not delivered to customer prior to such curtailment or discontinuance.

(j) The customer who anticipates a need for gas in excess of its daily firm requirements and designated Scheduled Daily Delivery for transportation, must nominate the excess level required, by advising the Company of its request to use such gas by no later than 9:00 AM of the day preceding such use. If the Company agrees to supply such nominated gas, it will do so pursuant to the provisions of its IGS Rate Schedule.

(k) Gas consumption in excess of the nominated quantities described in Special Provision (k) of this Rate Schedule may be deemed unauthorized consumption and subject to the charges provided for in Special Provision (o) of this Rate Schedule. Provided, however, that the Company may waive such additional charge, in its sole reasonable discretion, if the customer demonstrates good cause for such consumption, and, such consumption does not adversely impact service to other customers. Further provided, however, that on any day during which gas receipts for a customer's account exceed gas utilized by the customer, after adjustment for line loss and sales authorized by the Company, such excess receipts will be subject to applicable balancing provisions of this Tariff.

INTERRUPTIBLE TRANSPORTATION SERVICE (ITS)
(continued)

(l) For the purpose of calculating monthly bills, all firm gas requirements (gas deemed purchased, Firm Transportation Service gas, or customer owned gas delivered under rate schedules CTS, GSG, GSG-LV, LVS, EGS, EGS-LV or FES, or Riders thereto) shall be deemed "first through the meter" and will be billed before any volumes will have been deemed to be delivered under this Rate Schedule ITS. Gas consumed in excess of firm gas and the Scheduled Daily Delivery pursuant to this Rate Schedule ITS will be billed upon Rate Schedule IGS.

(m) The receipt of gas by the Company for transportation under this Rate Schedule ITS shall equal the delivery of said gas to the customer on a daily basis, less a percentage for line loss. The line loss factor to be utilized will be the Company-wide line loss percentage.

(n) If gas is consumed for more than three (3) hours after a notice to discontinue or curtail service, and gas is not being simultaneously offered to the customer by the Company on an applicable interruptible sales rate schedule, such gas consumed shall be deemed as unauthorized use gas owned by the Company. If gas is being simultaneously offered to the customer by the Company on an applicable interruptible rate schedule, the customer shall be billed for such gas consumed on said rate schedule.

(o) Due to system constraints, the Company may instruct some or all ITS customers not to exceed the stated Scheduled Daily Delivery in the Standard Gas Service Agreement (ITS) during a given twenty-four (24) hour period. Said instruction may be given orally or in writing. Any customer who then uses in excess of its Scheduled Daily Delivery may be subject to an additional charge (in addition to the charges set forth in the Monthly Rate Section of this Rate Schedule ITS). Such additional charge shall equal ten (10) times the highest price of the daily ranges for that month that are published in the Gas Daily in the table "Gas Price Survey" for delivery to "Transco, zone 6 non-N.Y.". This charge shall not be lower than the maximum penalty charge for unauthorized daily overruns as provided for in the FERC-approved gas tariffs of Transcontinental Gas Pipe Line Corporation. Provided, however, that the Company may waive such charges if a customer demonstrates extenuating circumstances. The imposition of such additional charges shall not restrict the Company's right to interrupt or curtail this service. This charge shall also be applicable to unauthorized use gas.

(p) If a customer receives service under this rate schedule, and has propane facilities on its premises, the customer shall receive no benefit or priority of entitlement to gas allocations from the Company, unless said benefit or priority is provided by applicable State and Federal laws or regulations.

(q) The Company may install an electronic data collection system pursuant to Section 6.1 of the General Terms and Conditions of this Tariff. The Company shall provide technical assistance in order to minimize the customer's expense for such installation.

(r) A customer scheduling gas for delivery may not schedule less than one dekatherm of gas for delivery under this Rate Schedule ITS on any day. All scheduling must be done in whole number dekatherms and not in fractions thereof.

INTERRUPTIBLE TRANSPORTATION SERVICE (ITS)
(C~~c~~ontinued)

(s) As of November 1 each year, customers transporting gas pursuant to this Rate Schedule ITS whose alternate fuels are No. 2 oil, ~~No. 4 oil,~~ jet fuel or kerosene are required to have seven (7) days of Alternate Fuel Capability, or, if that customer's on-site Alternate Fuel Capability is less than seven (7) days, then that customer must have an additional firm contractual alternate fuel supply arrangement, so that when the firm contractual alternate fuel supply arrangement is taken together with that customer's Alternate Fuel Capability on hand, the sum total shall equal seven (7) days. No customer shall be required to acquire or construct additional Alternate Fuel Capability storage capacity, in order to meet the terms of this Special Provision (t).

(t) On or before November 1 of each year, each customer transporting gas pursuant to this Rate Schedule ITS must supply a Certification to the Company, certifying that the customer has met the requirements of Special Provision (t).

(u) All customers transporting gas pursuant to this Rate Schedule ITS, whose alternate fuel is not either No. 2 oil, ~~No. 4 oil,~~ jet fuel or kerosene, and all such customers who agree to suspend operations during an interruption of Rate Schedule ITS service, are not required to maintain Alternate Fuel Capability in accordance with Special Provision (t). However, all such customers must file a Certification with the Company, indicating the customer's alternate fuel, or indicating the customer's agreement to discontinue operations during an interruption of Rate Schedule ITS service.

(v) Wholesale electric generators, including cogeneration customers, are exempt from the requirements of Special Provisions (t), (u) and (v) of this Rate Schedule ITS.

(w) Any charges imposed pursuant to the above Special Provisions of this Rate Schedule ITS shall be in addition to other charges imposed pursuant to this Rate Schedule ITS.

NATURAL GAS VEHICLE (NGV)

APPLICABLE TO:

This service will be available to Commercial and Industrial customers who will utilize natural gas, for the purpose of providing vehicle fuel at Company-operated fueling stations or at separately metered customer-operated fueling stations.

CHARACTER OF SERVICE:

Firm Sales Service or Firm Transportation Service

COMPRESSED NATURAL GAS VEHICLE SERVICE AT COMPANY OPERATED FUELING STATIONS

This part of the service is available for refueling vehicles with compressed natural gas to customers who refuel at Company operated fueling stations. All service at Company operated fueling stations shall be Firm Sales Service. Provided, however, that in the Company's sole discretion, it may allow for Firm Transportation service for a Customer-specific dedicated dispenser or time fill system (separately metered) at a Company operated fueling station.

Rate for Monthly Consumption

Volumetric Charge

C-1: $0.040471 per therm ($0.050589 GGE*)

Distribution Charge: $0.181793~~175738~~ per therm ($0.227241~~219672~~ GGE*)

Compression Charge: $0.614091~~581360~~ per therm ($0.767614~~726700~~ GGE*)

Commodity Charges

All consumption for customers who elected Firm Sales Service

Basic Gas Supply Service ("BGSS") Charge:

See Rider "A" of this Tariff.
BGSS rate * GGE Factor 1.25 = GGE

GGE indicates Gasoline Gallon Equivalent. The gasoline gallon equivalent shall be determined in accordance with local standards. The point of sale price to the Customer shall be displayed in gasoline gallon equivalents at public access dispensers at Company operated fueling stations, and shall be calculated as C-1 + Distribution Charge + Compression Charge + New Jersey Motor Vehicle Fuel Tax + Federal Excise Tax + BGSS.

Commodity charges do not include State of New Jersey Motor vehicle fuel tax and Federal Excise Tax. As of July 1, 2011 these taxes were $0.0525 and $0.183 per gallon, respectively and shall be charged at the prevailing rate when applicable. The Company is under no obligation to determine if a customer is exempt from taxation.

NATURAL GAS VEHICLE (NGV)
(continued)

NATURAL GAS VEHICLE SERVICE AT CUSTOMER OPERATED FUELING STATIONS

This part of the service is available for the sale of separately metered uncompressed gas for the use of the customer solely as a vehicle fuel as follows:

The customer agrees to obtain and maintain, at its expense, all necessary certificates, licenses and regulatory approvals and pay all taxes levied on the gas compressed for refueling the customer's vehicles;

If the customer provides natural gas for resale as a motor fuel, the customer will be responsible for collecting and paying all applicable taxes on the gas compressed for resale and on the sale thereof and for the metering of such sale in accordance with local standards and regulations; and

The customer must execute a Standard Gas Service Agreement (NGV) for not less than 12 months and must produce evidence of Land Rights.

Rate for Monthly Consumption

Monthly Customer Charge

The monthly customer charge shall be determined in accordance with the maximum delivery capability requested by the customer.

0-999 Cf/hour	$40.078100
1,000-4,999 Cf/hour	$80.156300
5,000-24,999 Cf/hour	$213.750000
25,000 and greater Cf/hour	$961.875000~~641.250000~~

Volumetric Charges

C-1: $0.040471 per therm ($0.050589 GGE)

Distribution Charge: $0.181793~~175738~~ per therm ($0.227241~~219672~~ GGE)

Basic Gas Supply Service ("BGSS") Charge:

All consumption for customers who elect Firm Sales Service See Rider "A" of this Tariff.

Facilities Charge

All consumption for ~~c~~Customers that elect to have the Company construct Compressed Natural Gas ("CNG") fueling facilities located on Customer's property:

C-2: $0.~~0~~376764 ($0.470955 GGE)

The customer shall pay all related motor vehicle taxes directly to the taxing entity. Such taxes shall be incremental to charges paid to the Company for the cost of receiving service under this rate schedule.

NATURAL GAS VEHICLE (NGV)
(continued)

DELIVERY SERVICE FOR NATURAL GAS VEHICLES

This part of service is available for delivery of customer owned natural gas for use in compression and dispensing equipment at the Customer's premises, as follows:

The customer must purchase under a contract with an initial term of not less than one year an adequate supply of natural gas of a quality acceptable to the Company, and must make arrangements by which such volumes of natural gas can be delivered into the Company's distribution system at the Customer's expense.

By taking service under this part, the Customer warrants that it has good and legal title to all gas supplied to the Company, and agrees to indemnify, defend and hold the Company harmless from any loss, claims or damages in regard to such title.

Rate for Delivery Service

Monthly Customer Charge

The monthly customer charge shall be determined in accordance with the maximum delivery capability requested by the customer.

0-999 Cf/hour	$40.078100
1,000-4,999 Cf/hour	$80.156300
5,000-24,999 Cf/hour	$213.750000
25,000 and greater Cf/hour	$961.875000~~641.250000~~

Volumetric Charge

C-1**:** $0.040471 per therm ($0.050589 GGE)

Distribution Charge**:** $0.~~175738~~ 181793 per therm ($0.~~219672~~ 227241 GGE)

Facilities Charge

All consumption for C~~c~~ustomers that elect to have the Company construct CNG fueling facilities located on Customer's property:

C-2: $0.376764 per therm ($0.470955 GGE)

Sales taxes are not included in the above basic charges. The Company is under no obligation to determine if a customer is exempt from taxation. Customers seeking tax exemption must file verification with the Company.

Issued January 27, 2017
by South Jersey Gas Company,
D. Robbins, Jr., President

Effective with service rendered
on and after February 28, 2017

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

NATURAL GAS VEHICLE (NGV)
(continued)

APPLICABLE RIDERS FOR COMPANY OWNED AND CUSTOMER OWNED STATIONS:

Basic Gas Supply Service Clause:	BGSS charges are depicted in Rider “A” of this Tariff for Firm Sales Service.
Societal Benefits Clause:	The rates set forth above have been adjusted, as is appropriate, pursuant to Rider “E” of this Tariff.
Balancing Service Clause:	All gas transported under this Rate Schedule NGV is subject to balancing requirements pursuant to Rider “I” or Rider “J” of this Tariff.

~~NATURAL GAS VEHICLE (NGV)~~
~~(continued)~~

Energy Efficiency Tracker: The rates set forth above have been adjusted, as is appropriate, pursuant to Rider "N" of this Tariff.

TERMS OF PAYMENT:

Payment of all bills must be received in full at the Company's designated office within fifteen (15) days of the billing date; provided however, the Company shall take into account any postal service delays of which the Company is advised. If the fifteenth (15th) day falls on a nonbusiness day, the due date shall be extended to the next business day. Should the customer fail to make payment as specified, the Company may, beginning on the twenty-sixth (26th) day, assess simple interest at a rate equal to the prime rate as published in the Money Rates column in The Wall Street Journal. A late payment charge shall not be assessed on a residential customer, or on a State, county or municipal government entities.

TERM:

Customer may discontinue service upon written notice to the Company, pursuant to the terms of the Company's Standard Gas Service Agreement (NGV), if applicable, otherwise, in order to effectuate a termination, customer must provide adequate notice to the Company.

TERMS AND CONDITIONS:

The General Terms and Conditions of this Tariff are incorporated into this rate schedule and this rate schedule shall be interpreted in accordance therewith.

In addition, the term Land Rights shall mean such easements, licenses, consents or similar documents, in recordable form, that the Company deems reasonably sufficient to secure its rights to install equipment necessary to provide NGV service at the Customer's premises.

SPECIAL PROVISIONS:

a) The Company will require, as a condition precedent to the receipt of service under this Rate Schedule NGV, that an eligible customer execute a Standard Gas Service Agreement (NGV), to indicate, among other things, the customer's minimum and maximum capability to utilize gas under Rate Schedule NGV; the level of service; and the customer's Contract Demand.

NATURAL GAS VEHICLE (NGV)
(continued)

b) For customers that elect to have the Company construct CNG fueling facilities located on Customer's property, the Company may require in addition to the C-2 Facilities Charge, that a customer agree to pay a Minimum Annual Facilities Charge ("MAFC"), provided that the MACF must be sufficient to enable the Company to fully recover the applicable revenue requirements of all such Company constructed facilities over a negotiated period as set forth in the Standard Gas Service Agreement (NGV). The MACF may be revised or omitted at the expiration of the term of the Standard Gas Service Agreement (NGV). In its sole reasonable discretion, the Company may also require a cash deposit, letter of credit or other security to assure payment of the MAFC.

~~a)~~c) Customer may request that the Company operate and/or maintain CNG fueling facilities located on Customer's property. Dispensing of compressed natural gas into vehicles shall be the sole responsibility of the Customer. Any Company responsibility for operating and/or maintaining CNG fueling facilities shall be delineated in the Standard Service Agreement (NGV). The costs associated with all operation and/or maintenance of CNG fueling facilities located on Customer's property by the Company shall be charged to the Customer as a pass through of actual costs incurred by the Company. The Company may require separate electric metering in instances where the Customer requests that the Company be responsible for contracting of electric supply for the CNG fueling facilities, and the Company agrees to do so.

~~b)~~d) The Company will not accept gas for delivery to Firm Transportation Service customers that will: (1) adversely impact the Company's rights to current or future supply or transportation allocations; or (2) impose any financial or burdensome administrative obligation on the Company that would not have existed without acceptance of such delivery by the Company.

~~c)~~e) The Firm Transportation Service customer bears sole responsibility for costs incurred to deliver customer owned gas to the Company's City Gate Station and to provide interstate pipeline capacity.

f) The Firm Transportation Service customer shall be required to reimburse the Company for any out-of-pocket expenses incurred in any financial or burdensome administrative obligation; the Company may impose a surcharge therefore.

g) The Company may install an electronic data collection system pursuant to Section 6.1 of the General Terms and Conditions of this Tariff. The customer shall furnish an electrical supply and phone line for the operation of the device, in an area acceptable to the Company. The Company shall provide technical assistance in order to minimize the customer's expense for such installation.

h) The rates set forth in the Delivery Charge section of this Rate Schedule NGV assume that the customer receives balancing service under Rider "J" to this Tariff. If the customer selects balancing service under Rider "I" of this Tariff, then the Delivery Charges will be adjusted to reflect the Rider "I" Charges.

~~**NATURAL GAS VEHICLE (NGV)**~~
~~**(continued)**~~

~~d)~~a) ~~The Company may install an electronic data collection system pursuant to Section 6.1 of the General Terms and Conditions of this Tariff. The customer shall furnish an electrical supply and phone line for the operation of the device, in an area acceptable to the Company. The Company shall provide technical assistance in order to minimize the customer's expense for such installation.~~

~~e)~~a) ~~The rates set forth in the Delivery Charge section of this Rate Schedule NGV assume that the customer receives balancing service under Rider "J" to this Tariff. If the customer selects balancing service under Rider "I" of this Tariff, then the Delivery Charges will be adjusted to reflect the Rider "I" Charges.~~

RIDER "A"
BASIC GAS SUPPLY SERVICE CLAUSE ("BGSSC")

APPLICABLE TO:

Rate Schedule RSG	-	Residential Service
Rate Schedule GSG	-	General Service
Rate Schedule GSG-LV	-	General Service – Large Volume
Rate Schedule LVS	-	Large Volume Service
Rate Schedule FES	-	Firm Electric Service
Rate Schedule EGS	-	Electric Generation Service
Rate Schedule EGS-LV	-	Electric Generation Service - Large Volume
Rate Schedule NGV	-	Natural Gas Vehicle

APPLICABLE RATES:

Periodic BGSS Subrider (Effective January 1, 2017)[1]:

Rate Schedule	BGSS Rate Before Taxes (per therm)	BGSS Rate With Taxes (per therm)
RSG	$0.330770	$0.354288
GSG (under 5,000 therms)	$0.330770	$0.354288

Monthly BGSS Subrider (Effective January 1, 2017):

Rate Schedule	BGSS Rate Before Taxes (per therm)	BGSS Rate With Taxes (per therm)
LVS C-2	$0.508351	$0.544495
FES	$0.426124	$0.456421
EGS	$0.555650	$0.595157
EGS-LV Firm C-2	$0.509469	$0.545693
EGS-LV Limited Firm C-2	$0.532001	$0.569827
GSG-LV	$0.555650	$0.595157
GSG (5,000 therms or greater)	$0.555650	$0.595157
NGV	$0.555650	$0.595157

The above Periodic and Monthly BGSS rates shall include the BGSS cost savings established in Rider "M" to this Tariff.

FILING:

This Subrider shall be applicable to all customers served under Rate Schedules RSG, and those GSG customers who do not meet the "Monthly Threshhold". This Periodic BGSS Subrider shall recover gas costs associated with service to customers served under this Subrider.

[1] Reflects currently approved Total BGSS Rate.

RIDER "A"
BASIC GAS SUPPLY SERVICE CLAUSE ("BGSSC")
(Continued)

PERIODIC BGSS SUBRIDER

The Company shall make an annual Periodic BGSS rate filing by no later than June 1st of each year, proposing a Periodic BGSS rate to be effective on or about the following October 1st. The Company shall have the discretion to file for two self-implementing rate increases, effective December 1st and February 1st, to its Periodic BGSS rate approved in the same BGSS Year. The purpose of each Periodic BGSS filing, shall be to recover gas costs pursuant to this Rider "A" and to achieve a zero or near-zero deferred balance by the following September 30.

Each self-implementing rate increase will be subject to a cap which will limit the increase so that the benchmark residential bill, using 100 therms, will not increase by more than five percent (5%). The self-implementing rate increases shall be pre-conditioned upon written notice by the Company to the BPU Staff and to the Division of Rate Counsel, given no later than November 1 and January 1, of the intention to implement a self-implementing rate increase on or about December 1 and February 1, respectively. The Company shall provide in its written notice the approximate amount of the self-implementing rate increase, based upon then current market data.
The Company shall have the discretion to implement a bill credit or a refund at any time during the BGSS Year with five (5) days notice to the BPU Staff and the Division of Rate Counsel. The Company shall have the discretion to file a self-implementing rate reduction without a cap at any time during the BGSS Year with two (2) weeks notice to the BPU Staff and the Division of Rate Counsel.

The notice of filing and of public hearing in the annual BGSS proceedings shall include the specific rate change proposed to be implemented on October 1st and a paragraph indicating that such proposed rates may be subject to self-implementing rate increases on or about the next December 1st and February 1st, subject to the 5% maximum caps for each of the two self-implementing increases. The notice shall also include the impact of such potential increases on a benchmark 100 therm residential bill.

The annual Periodic BGSS filing shall contain, but not be limited to, the following:

(1) A reconciliation of actual versus estimated costs and revenues from the last Board approved rate change for commodity costs, storage costs, and interstate transportation costs, including the costs and results of any supplies set by hedges;

(2) Projected rates supported by projected volumes, revenues, and commodity costs, transportation costs, storage costs and transaction costs, including the cost of supplies set by hedges;

(3) Deferred balances and the timeframe over which they are proposed to be collected or returned;

(4) A written explanation of the circumstances that caused the deferred balances in (3) above; and

(5) A written explanation of any significant activities or trends which may affect costs for the prospective period.

(6) Updated tariff sheets to reflect any change to the Periodic BGSS rate.

RIDER "A"
BASIC GAS SUPPLY SERVICE CLAUSE ("BGSSC")
(Continued)

PERIODIC FORMULA:

The formula for determining the annual and self-implementing Periodic BGSS rates shall be the sum of the following:

(1) A Commodity Cost which will be the sum of the weighted average prices including applicable transaction costs of the following categories of gas. Weighted average prices will be calculated based upon projected monthly volumes.

(a) an estimate of the cost of flowing gas, which will be equal to the arithmetic average of

(i) the NYMEX Henry Hub monthly prices as recorded on the close of trading for the forward contract month, estimated for the remaining BGSS Year; and

(ii) the weighted average of the estimated Index Prices, for the respective locations at which the Company purchases its gas, to be published in Inside FERC's Gas Market Report for the remaining BGSS Year; and

(b) any supplies whose price was previously set by hedges or other financial instruments; and

(c) supplies of gas withdrawn from storage.

(2) An estimate of the variable costs of transportation and fuel and line loss shall be made for the remaining BGSS Year, to the extent not included in (1), above.

(3) The Company shall estimate the total Firm Sales to be made during the remaining BGSS Year to customers served under this Subrider. The costs developed in Paragraphs (1) and (2) above shall be divided by such Firm Sales, in order to determine the per therm commodity cost recovery rate.

(4) A Non-Commodity Cost component that includes gas costs other than the Commodity Cost of Gas, including but not limited to all fixed pipeline costs, fixed supplier costs, fixed storage costs, pipeline refunds and similar credits, and other credits directed by the Board. The Non-Commodity Cost component shall be calculated on an equal per-therm basis for the BGSS Year.

(5) A deferred balance that will be returned to or recovered from customers over some future period.

MONTHLY BGSS SUBRIDER

FILING:

This Subrider shall be applicable to all customers served under Rate Schedules LVS, FES, EGS, EGS-LV GSG-LV, NGV and those customers served under Rate Schedule GSG who meet the Monthly Threshold. This Monthly BGSS Subrider shall recover gas costs associated with service to customers served under this Subrider.

RIDER "A"
BASIC GAS SUPPLY SERVICE CLAUSE ("BGSSC")
(Continued)

The Company will file self-implementing Monthly BGSS rates on the second day following the close of trading of the NYMEX Henry Hub gas contracts for each month. Within each monthly filing, the Company will provide the following:

(1) Documentation regarding the NYMEX Henry Hub close;

(2) Supporting schedules that document the actual/projected costs and sales volumes used to derive the monthly gas cost factor; and

MONTHLY FORMULA:

The formula for determining the Monthly BGSS rate shall be the sum of the following:

(1) The Company will calculate a Commodity Cost which will be comprised of the sum of arithmetic average of

(i) the closing price of the NYMEX Henry Hub gas contract for the following month and

(ii) the weighted average of the estimated Index Prices, for the respective locations at which the Company purchases its gas, to be published in Inside FERC's Gas Market Report for the remaining BGSS Year. Further, the calculation will not include hedging.

(2) An estimate shall be made of the variable costs of transportation and fuel and line loss for the subject month, to the extent not included in (1), above

(3) A Non-Commodity Cost component that includes gas costs other than the Commodity Cost of Gas, including but not limited to all fixed pipeline costs, fixed supplier costs, fixed storage costs, pipeline refunds and similar credits, and other credits directed by the Board. The Non-Commodity Cost component shall be calculated on an equal per-therm basis for the entire BGSS Year. This subparagraph (3) is not applicable to FES customers.

The result of the calculation from the Monthly Formula above shall be adjusted for Rate Schedules LVS and EGS-LV (Firm and Limited Firm) to derive the Monthly BGSS Rates by deducting therefrom the volumetric equivalent of the D-2 charges within the respective Rates Schedules. Said deductions shall be as follows:

Rate Schedule	D-2 Deduction Including Taxes
LVS	$.050662
EGS-LV Firm	$.049464
EGS-LV Limited Firm	$.025331

RIDER "A"
BASIC GAS SUPPLY SERVICE CLAUSE ("BGSSC")
(Continued)

SPECIAL PROVISIONS:

(1) The self-implementing Periodic BGSS and Monthly BGSS rate filings will be self-implementing compliance filings. The implementation of the rates will not require any further Order of the Board.

(2) Each self-implementing BGSS rate change will be posted on the Company's website within four (4) working days of its submission to the Board. Each other BGSS rate change will be posted on the Company's website within four (4) working days of receipt of a written order from the Board, approving such rate change.

(3) Updated tariff sheets to reflect any change to the Monthly BGSS rate.

(4) Interest shall be passed on to customers through the Periodic BGSS rate at the beginning of each BGSS Year succeeding any BGSS Year in which any monthly gas cost overrecovery has taken place. Any debit or credit balance in the separate deferred revenue or cost of gas accounts shall be determined monthly. Monthly interest shall be calculated on the average of the current and prior months' ending cumulative deferred revenue or cost of gas balances. Interest on such gas costs shall be calculated utilizing the Company's Board-allowed overall rate of return as the same shall be in effect from time to time.

(5) For the transition to the Monthly BGSS, the Company will estimate its net deferred balance as of March 1, 2003. Any underrecovery balance associated with Monthly BGSS customers will be collected over a period of up to twelve months based upon the estimated Firm Sales for the period. At the end of this period, if there is a remaining deferred cost balance to be recovered from the Monthly BGSS customers, the rate component used to recover such balance in the prior twelve month period shall be continued into future months until the deferred balance becomes positive as an overrecovery, which then will be transferred to the Periodic BGSS mechanism.

(6) Gas costs and related recoveries from the Monthly BGSS will flow to the deferred balance in the Periodic BGSS mechanism.

(7) As used in this Tariff, BGSS Year shall mean a twelve (12) month period commencing October 1 and ending September 30.

(8) "Left blank intentionally."

(9) As used in this Rider "A" the term "Monthly Threshold" shall mean an annualized usage of 5,000 therms or more. A customer has the right to request a review for reclassification from monthly back to Periodic BGSS pricing. The Company shall review, once each year, Rate Schedule GSG customers' usage and anytime at the request of an individual customer, for the most recent calendar year to determine which customer(s) meet the Monthly Threshold. If appropriate, the customer will be returned to Periodic BGSS billing.

RIDER "B"

RESERVED FOR FUTURE USE

RIDER "C"
TRANSPORTATION INITIATION CLAUSE (TIC)

APPLICABLE TO:

Rate Schedule RSG	-	Residential Service
Rate Schedule GSG	-	General Service

This Rider "C" shall be known as the Transportation Initiation Clause (TIC) and will be charged to all RSG and GSG customers.

PURPOSE OF RIDER "C":

The purpose of the TIC is to enable the Company to recover both capital expenditures and operating costs associated with Electronic Data Interchange (EDI), including consulting costs and transaction costs.

ANNUAL TIC FILING:

On or about August 31 of each year, to be effective the next succeeding November 1, the Company shall file with the Board a proposed TIC rate. The TIC filing will be based upon the costs and expenditures incurred during the previous August 1 through July 31. The costs proposed for recovery will be subject to review for reasonableness, and to assure that they are costs associated with EDI, and not costs which would have been spent for computer upgrades, irrespective of the implementation of EDI.

TIC costs shall be calculated by utilizing the total capital expenditures and operating costs associated with the EDI process, including consulting and transaction costs, net of the TIC over or underrecovery balance, applying monthly carrying costs to the resulting amount using the interest rate applicable to the Company's SBC underrecoveries and overrecoveries. The resulting TIC costs shall be divided by the annual forecasted volumes for the rate classes set forth above. The resulting rate shall be adjusted for all applicable taxes and assessments.

The TIC shall be collected on a per therm basis and shall remain in effect until changed by order of the Board. The TIC charge will be:

($0.001009) per therm

The TIC will be recovered through the Delivery Charge of each of the rate schedules referred to above, and will subject to deferred accounting.

The TIC will remain in effect until the Company's next base rate case, or until such time as the Board, upon petition by any interested party, shall issue an order terminating the TIC. Recovery of some or all operating costs shall be subject to reevaluation as to the appropriateness of recovery of such costs through the TIC within two years of implementation of the TIC, or such earlier time as the Board may establish on its own motion, or, upon petition by any interested party

RIDER "D"
CUSTOMER OWNED GAS CLAUSE (COGC)

APPLICABLE TO:

Rate Schedule EGS-LV	-	Electric Generation Service - Large Volume
Rate Schedule FES	-	Firm Electric Service

This Rider "D" shall be known as the Customer Owned Gas Clause (COGC) and may be offered by the Company, in the Company's sole reasonable discretion to all EGS-LV and FES customers, who hold clear and marketable title to gas that is made available for delivery to customer's facility on the Company's system. Pursuant to this Rider "D" the Company shall deliver gas made available at the Company's City Gate Station to a designated point of delivery. The character of service under this Rider "D" is Firm Transportation Service.

(1) Customers receiving gas under this Rider "D" shall not pay the C-2 portion of the Volumetric Rate but shall pay all other rates, charges and fees of the applicable Rate Schedule.

(2) The receipt of gas by the Company for transportation under this Rider "D" shall equal the delivery of said gas to the customer on a daily basis, less a percentage for line loss. The line loss factor to be utilized will be the Company-wide line loss percentage.

(3) Any gas delivered by the Company under this Rider "D" shall be deemed gas purchased by a customer under the applicable rate schedule. The terms and conditions of said rate schedule shall be applicable thereto.

(4) The Company will not accept gas for delivery that will: (1) adversely impact the Company's rights to current or future supply or transportation allocations; or (2) impose any financial or burdensome administrative obligation on the Company that would not have existed without acceptance of such delivery by the Company.

(5) The customer bears sole responsibility for costs incurred to deliver customer owned gas to the Company's city gate station.

(6) Customer shall be required to reimburse the Company for any out-of-pocket expenses incurred in connection with the initiation and rendering of service under this Rider D. If the Company has accepted gas for delivery under this Rate Schedule and as a result thereof it incurs any financial or burdensome administrative obligation, the Company may impose a surcharge therefor.

(7) Company retains sole discretion as to whether or not a particular customer or particular customers shall receive service pursuant to this Rider D.

(8) The Company may install an electronic data collection system pursuant to Section 6.1 of the General Terms and Conditions of this Tariff.

RIDER "D"

CUSTOMER OWNED GAS CLAUSE (COGC)
(Continued)

(9) The existence of imbalances will be determined each day. If at the beginning of a day a customer has an imbalance, the gas to fulfill that customer's daily Contract Demand for that day will be the first gas through the meter on that day.

(10) The Company may waive any charges associated with imbalances, in its sole reasonable discretion, if the customer demonstrates good cause for such imbalances, if the customer presents a plan for eliminating such imbalances, and such plan will not adversely impact service to other customers. The Company may require that such plan be implemented in full, and completed, within a time period specified by the Company in order for such a waiver to take place.

(11) A customer may supply its own interstate pipeline capacity, upon authorization by the Company. The Company may grant such authorization in its sole, reasonable discretion. Should an FES or EGS-LV customer supply its own interstate pipeline capacity, gas delivered to the Company's City Gate Station within that capacity may result in a credit against the D-2 charge. The D-2 charge shall be reduced by a credit which is equal to the amount which the customer pays to the interstate pipeline for such capacity. Provided, however, that no credit shall take place in the event that the interstate pipeline capacity supplied by the customer, has been acquired from sources other than the Company. For FES or EGS-LV customers the credit will be calculated as a demand charge per Mcf. The credits provided for by this Paragraph (11) will not affect any other applicable charges referred to in Paragraphs (1) and (2) of this Rider "D".

(12) A customer scheduling gas for delivery may not schedule less than one dekatherm of gas for delivery under this Rider "D" on any day. All scheduling must be done in whole number dekatherms and not in fractions thereof.

BALANCING SERVICE CLAUSE:

All customer owned gas delivered pursuant to this Rider "D" is also subject to Rider "I" of this Tariff.

RIDER "E"
SOCIETAL BENEFITS CLAUSE (SBC)

APPLICABLE TO:

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

This Rider "E" shall be known as the Societal Benefits Clause (SBC). The SBC is established pursuant to the provisions of Section 12 of the "Electric Discount and Energy Competition Act", P.L. 1999, c.23. The SBC shall recover: (1) the costs of the Company's Clean Energy Program; and (2) the costs which the Company incurs in connection with manufactured gas plant remediation; and (3) the cost incurred for the statewide Universal Service Fund ("USF") Permanent and Lifeline Credits and Tenants Assistance Program established by Board Order dated July 16, 2003 in docket No. EX000200091; and (4) other costs determined by the Board to be recoverable through the SBC.

With the exception of the Universal Service Fund, interest on SBC underrecoveries and overrecoveries will be calculated at an interest rate ("Interest Rate") which will be adjusted each August 31, and will be based upon seven year constant maturity treasuries as shown in the Federal Reserve Statistical Release on or closest to August 31 of each year, plus sixty (60) basis points. In addition, the Company recovers Manufactured Gas Plant ("MGP") Environmental Remediation Costs through Rider "G" of this Tariff. These Remediation Costs are recovered over periods of seven years, and the Company shall recover interest on resulting unamortized balances at the Interest Rate. The Universal Service Fund section of this Rider "E" contains the calculation of the USF interest rate.

A petition to establish the Societal Benefits Clause will be filed with the Board on or about July 31, of each year.

REMEDIATION ADJUSTMENT CLAUSE AND CLEAN ENERGY PROGRAM CLAUSE:
The Remediation Adjustment Clause ("RAC") shall be calculated in accordance with the provisions of Rider "G" of this Tariff and the Clean Energy Program ("CLEP") Clause shall be calculated in accordance with the provisions of Rider "K" of this Tariff. The charges developed pursuant to Riders "G" and "K" shall be recovered through, and as part of, the SBC. All gas consumed or transported under Rate Schedules RSG, GSG, GSG-LV,EGS, EGS-LV, CTS, LVS, FES, IGS, ITS and NGV shall recover the RAC, in accordance with this Rider "E". All gas consumed or transported under Rate Schedules RSG, GSG, GSG-LV, CTS , LVS, FES, EGS, EGS-LV, ITS and NGV shall recover the CLEP, in accordance with this Rider "E".

OTHER RECOVERABLE EXPENSES:
Other expenses as the Board shall determine to be appropriate for recovery pursuant to the SBC shall be recovered through, and as part of the SBC. All gas consumed or transported under Rate Schedules RSG, GSG, GSG-LV, EGS, CTS and ITS shall recover expenses as the Board shall determine to be appropriate for recovery pursuant to the SBC.

RIDER "E"
SOCIETAL BENEFITS CLAUSE (SBC)
(Continued)

UNIVERSAL SERVICE FUND:

Pursuant to the "Electric Discount and Energy Competition Act", N.J.S.A. 48:3-49, the Board established the Permanent Universal Service Fund ("USF") and the Lifeline Credit and Tenants Assistance Program ("Lifeline") both of which will be collected from Rate Schedules RSG, GSG, GSG-LV, EGS, EGS-LV, CTS, LVS, FES, IGS, ITS and NGV. The USF and Lifeline factors established in this Rider "E" were set forth by the Board.

Pursuant to Section 12b of the "Electric Discount and Energy Competition Act", N.J.S.A. 48:3-60b, the Board established an Interim Universal Service Fund. All gas consumed under Rate Schedules RSG, GSG, GSG-LV, EGS, EGS-LV, CTS, LVS and FES shall recover the Company's contributions toward the Universal Service Fund (over a twelve month period on a forecasted basis in accordance with this Rider "E").

Pursuant to Section 12b of the "Electric Discount and Energy Competition Act", N.J.S.A. 48:3-60.1, electric generators that use natural gas and/or natural gas delivery service to generate electricity that is sold for resale are to be exempt from paying the societal benefit charge on the throughput used to generate electricity that is sold for resale. In order to determine the percentage of the throughput exmpt from the SBC, a customer must provide a form of Annual Certification which will provide the percentage of the customer's throughput that will be exempt from the SBC. South Jersey Gas will forward the forms to the customer in December to be updated for each subsequent calendar year's actual experience. If the customer does not return the completed forms by January 15, then the SBC will be assessed on all of the customer's usage. If the customer returns the forms on or before January 15, then adjustments to the customer's bills will be made on a prospective basis beginning in February of the subsequent year.That is, commencing in February, the customer's SBC charge will be adjusted based on the percentage of the customer's throughtput from the prior calendar year used to generate electricity that was sold for resale.

The interest rate on USF under and over recoveries shall be the interest rate based on a two-year constant maturity Treasuries as published in the Federal Reserve Statistical Release on the first day of each month (or the closest day thereafter on which the rates are published), plus sixty basis points, but shall not exceed the Company's overall rate of return as authorized by the Board.

Rates subject to this Rider have been adjusted to recover the following Societal Benefit Charges:

Rate Schedule and Appropriate Rate		RAC	CLEP	USF (Including Lifeline)	SBC
Rate Schedule RSG	Delivery	.010477	.012723	.012700	.035900
Rate Schedule GSG	Delivery	.010477	.012723	.012700	.035900
Rate Schedule GSG-LV	Delivery	.010477	.012723	.012700	.035900
Rate Schedule EGS	Delivery	.010477	.012723	.012700	.035900

RIDER "E"
SOCIETAL BENEFITS CLAUSE (SBC)
(Continued)

Rate Schedule and Appropriate Rate		RAC	CLEP	USF (Including Lifeline)	SBC
Rate Schedule EGS-LV	C-1	.010477	.012723	.012700 [1]	.035900
Rate Schedule CTS	C-1FT	.010477	.012723	.012700	.035900
Rate Schedule LVS	C-1/C-1FT	.010477	.012723	.012700	.035900
Rate Schedule FES	C-1FT	.010477	.012723	.012700	.035900
Rate Schedule IGS	Monthly Rate	.010477	N/A	.012700	.023177
Rate Schedule ITS	Monthly Rate	.010477	.012723	.012700	.035900
Rate Schedule NGV	Delivery	.010477	.012723	.012700	.035900

(1) This element of the Societal Benefits Charge will not be applicable to those customers with special existing contracts limiting their rate exposure, until the expiration of those contracts, in accordance with the Orders of the Board of Public Utilities in Docket No. EX00020091.

RIDER "F"

TEMPERATURE ADJUSTMENT CLAUSE (TAC)

APPLICABLE TO:

Rate Schedule RSG - Residential Service
Rate Schedule GSG - General Service
Rate Schedule GSG-LV - General Service – Large Volume

(a) This Rider "F" shall be known as the Temperature Adjustment Clause (TAC). It shall be utilized to adjust the Company's revenues in cases wherein temperatures experienced during a Base Year yield more or less degree days than were experienced on a twenty-year normal basis, plus or minus one-half (1/2%) percent of the sum of the Cumulative Normal Degree Days, for the twenty-year period utilized in the Company's then most recent base rate case. This adjustment will be effectuated through a credit or surcharge applied to customers' bills during the year succeeding the Base Year, which succeeding year shall be known as the Adjustment Year. The credit or surcharge will also be adjusted to reflect Base Year under recoveries or over recoveries pursuant to this TAC.

(b) Each Base Year, and each Adjustment Year shall begin on October 1 and end on May 31 and shall include only the months of October, November, December, January, February, March, April and May.

(c) The Company will determine on a monthly basis, Degree Days, Cumulative Degree Days, Normal Degree Days, Cumulative Normal Degree Days, Deadband Degree Days and Cumulative Deadband Degree Days for each month during the Base Year. Cumulative Deadband Degree Days will be added to or subtracted from Cumulative Normal Degree Days to yield an Upper Level or Lower Level Degree Day Threshold. If the experienced cumulative Degree Days at the end of a Base Year month is higher than the Upper Level of the Degree Day Threshold, or lower than the Lower Level, a Degree Day Adjustment will be made. The factors for use in this TAC are based on the 20-year average calculated in Docket No.~~GR13111137~~__________, and are based upon information obtained from the National Oceanic and Atmospheric Administration ("NOAA"), and will be adjusted in future base rate proceedings. Should a NOAA station utilized by the Company be abandoned, become inoperable, or otherwise become unusable, the Company may substitute data from a nearby NOAA station. When this becomes necessary, the Company will promptly notify the Staff of the Board and the Division of the Ratepayer Advocate. The factors for the TAC are as follows:

	Normal Degree Days	Cumulative Normal Degree Days	Deadband Degree Days	Cumulative Deadband Degree Days
Oct.	255~~261~~	255~~261~~	1	1
Nov.	525~~531~~	780~~792~~	3	4
Dec.	797~~829~~	1,577~~1,621~~	4	8
Jan.	966~~962~~	2,543~~583~~	5	13
Feb.	825	3,368~~408~~	4	17
Mar.	658~~662~~	4,026~~070~~	3	20
Apr.	353~~350~~	4,379~~420~~	2	22
May	124~~137~~	4,503~~557~~	1	23
TOTAL	4,503~~57~~		23	

RIDER "F"

TEMPERATURE ADJUSTMENT CLAUSE (TAC)
(Continued)

Degree Day Threshold

	Upper Level	Lower Level
Oct.	256~~262~~	254~~60~~
Nov.	784~~796~~	776~~88~~
Dec.	1,585~~1,629~~	1,569~~613~~
Jan.	2,556~~596~~	2,530~~570~~
Feb.	3,385~~425~~	3,351~~391~~
Mar.	4,046~~090~~	4,006~~050~~
Apr.	4,401~~442~~	4,357~~98~~
May	4,526~~80~~	4,480~~534~~

(d) The Degree Day Adjustment will be multiplied by a Degree Day Consumption Factor to derive the Therm Adjustment. The Degree Day Consumption Factor will be determined by first determining a factor for actual heat sensitive use per degree day per customer, for Rate Schedule RSG, and Rate Schedules GSG and GSG-LV heating load based upon actual usage on a cumulative basis through the end of each Base Year.

(e) The Therm Adjustment will be multiplied by the margin in the respective rate classes resulting in the adjustment to revenue. The margin is then calculated by adjusting out gas costs and associated revenue taxes. This calculation will take place only after Base Year months when the cumulative number of degree days at the end of the Base Year month is higher than the Upper Level of the Degree Day Threshold, or lower than the Lower Level.

(f) On or before August 31 of each Base Year, the Company will file in a petition with the Board, a proposed adjustment factor ("TAC Factor") to be effective in the Adjustment Year following the then current Base Year. The proposed factor shall be the same for each rate schedule and shall be derived based upon the outstanding adjustment after May of each Base Year as developed in Paragraph (e), divided by the projected sales and transportation volumes for both rate schedules. The TAC Factor will be expressed as a rate per unit of sale. The TAC Factor will be effectuated through a credit or surcharge applied to customers' bills during the Adjustment Year. The credit or surcharge will also be adjusted to reflect over or under recoveries from the previous TAC year. The TAC Factor will be effective with the commencement of the Adjustment Year. At the end of the Adjustment Year, the TAC factor will terminate and the Company will file tariff pages with the Board reflecting this termination. It is subject to an earnings review analysis set forth in the Stipulation accepted by the Board in Docket No. GR91071243J.

Issued January 27, 2017 **Effective with service rendered**
by South Jersey Gas Company, **on and after February 28, 2017**
D. Robbins, Jr., President
Filed pursuant to Order in Docket No. __________ of the Board of
Public Utilities, State of New Jersey, dated ___________

SOUTH JERSEY GAS COMPANY

RIDER “F”

TEMPERATURE ADJUSTMENT CLAUSE (TAC)
(Continued)

The TAC Factor shall apply to all gas sold and transported under Rate Schedules RSG, GSG and GSG-LV.

The charge will be applied to the Rate Schedule RSG, GSG and GSG-LV Delivery Charges as follows:

	Per Therm
TAC Factor per therm	$0.0000
Applicable Revenue Tax Factor	1.002505~~22~~
TAC Factor Per Therm	$0.0000
Applicable NJ Sales Tax Factor	~~1~~1.06875
TAC Factor Per Therm with NJ Sales Tax	$0.0000

(g) The Temperature Adjustment Clause shall not operate to cause the Company to earn in excess of its allowed rate of return on common equity of 11.00~~9.75~~% for any twelve month period ending October 31; any revenue which is not recovered will not be deferred. For purposes of this paragraph (g), the Company's rate of return on common equity shall be calculated by dividing the Company's net income for such annual period by the Company's average 13 month common equity balance for such annual period, all data as reflected in the Company's monthly reports to the Board of Public Utilities. The Company's net income shall be calculated by subtracting from total net income the Company’s share of margins from: (1) Interruptible Sales; (2) Interruptible Transportation; (3) On-System Capacity Release; (4) Off-System Sales and Capacity Release; and (5) the Storage Incentive Mechanism.

(h) As used in this Rider “F”, the following terms shall have the meanings ascribed to them herein:

(i) **"DEGREE DAYS"** is the difference between 65F and the daily mean temperature, on days when the daily mean temperature is below 65F. The daily mean temperature is the simple average of the 24 hourly temperature observations for a day taken at each of the National Oceanic and Atmospheric Administration Measuring points used by the Company. The sum of these differences for every day of the month is total degree days for that month.

RIDER “F”

TEMPERATURE ADJUSTMENT CLAUSE (TAC)
(Continued)

(ii) **"CUMULATIVE DEGREE DAYS"** is the accumulation of total degree days for each month in the Base Year.

(iii) **"NORMAL DEGREE DAYS"** is the level of calendar month degree days to which test year sales volumes were normalized in the base rate proceeding that established the current base rates for the service classifications to which this clause applies.

(iv) **"CUMULATIVE NORMAL DEGREE DAYS"** is the accumulation of normal degree days for each month in the Base Year.

(v) **"DEADBAND DEGREE DAYS"** shall be one-half (1/2%) percent of the Normal Degree Days.

(vi) **"CUMULATIVE DEADBAND DEGREE DAYS"** shall be one-half (1/2%) percent of the Cumulative Normal Degree Days.

Note: Sections (a) through (e) shall be utilized only to calculate the value of the weather-related changes in customer usage. The deadband degree days shall not be included in the calculation. For all other purposes, sections (a) through (e), and section (g), shall be suspended as of October 1, 2006. Section (f) above shall be suspended upon completion of recovery of the TAC Margin Excess and Deficiency for the 2004-2005 and 2005-2006 Base Years, respectively. Such suspensions shall remain in effect for the duration of the Conservation Incentive Program Mechanism, Rider “M”.

RIDER "G"
REMEDIATION ADJUSTMENT CLAUSE (RAC)

APPLICABLE TO:

Rider "E" - Societal Benefits Clause

Ninety days prior to November 1 of each year, the Company shall file with the Board of Public Utilities a Remediation Adjustment Clause (RAC) factor based on remediation costs and third party expenses/claims in the preceding Remediation Year. The RAC factor shall be recovered through, and as part of, the Societal Benefits Clause, Rider "E" to this Tariff.

The RAC Factor will be determined as follows:

I. Definition of Terms Used Herein

1. "Remediation Costs" are defined as all investigations, testing, land acquisition if appropriate, remediation and/or litigation costs/expenses or other liabilities excluding personal injury claims and specifically relating to gas manufacturing facility sites, disposal sites, or sites to which material may have migrated, as a result of the operation or decommissioning of gas manufacturing facilities.

2. "Recovery Year" is defined as each November 1 to October 31 period on a going forward basis, and is the time period over which annual amortizations shall be recovered from customers pursuant to this Rider "G".

3. "Remediation Year" is defined as each August 1 to July 31 period on a going forward basis, and is the time period over which the Remediation Costs are incurred.

4. "Third Party Claims" are all claims brought by the Company against any entity, including insurance companies, from which recoveries of costs may be received and will be charged through the RAC Factor as follows:

   a) Fifty percent (50%) of the reasonable transaction costs and expenses in pursuing Third Party Claims shall be included as Remediation Costs and shall be recovered as part of the Remediation Adjustment Clause. The remaining 50% shall be deferred without carrying costs until such time as the specific claim is resolved.

   b) In the event that the Company is successful in obtaining a recovery from a Third Party Claim, the Company shall be permitted to retain the deferred 50% share of the reasonable transaction costs and expenses from the recovery associated with that Third Party Claim. The balance of the recovery, if any, shall be applied against the current year's Remediation Costs to be recovered from or credited to ratepayers through the next amortization calculation.

5. "Before Tax Cost Rate" (BTCR) is the result of the calculation of the weighted cost of capital allowed in the Company's most recent base rate case minus the weighted cost of debt allowed in the Company's most recent base rate case divided by one minus the combined tax rate, plus the weighted cost of debt.

6. "Deferred Tax Benefit" (DTB) shall be returned to ratepayers during each Recovery Year in an amount equal to those given by the formula:

RIDER "G"

REMEDIATION ADJUSTMENT CLAUSE (RAC)
(Continued)

$$DTB_{n,YR} = ARC_n * [(7-X)/7\ ] * BTCR_{yR} * TR_{YR}$$

Where:

DTB = The amount of the Deferred Tax Benefit in Recovery Year YR that is to be subtracted from one seventh the amount of the Remediation Costs incurred in Remediation Year n and which is to be recovered in Recovery Year YR.

ARCn = The amount of the Actual Remediation Costs incurred in remediation year n.

X = The number of years that the Actual Remediation Costs incurred in remediation year n have been subject to amortization (X = 1, 2, 3... 6).

BTCRyr Rate= The Before Tax Cost rate which shall be equal to the Before Tax Cost of capital allowed in the Company's most recent base rate case.

TryR = The effective combined Federal and State income tax rate.

7. Sale of Property

a) Generally - Should the Company sell a former manufactured gas plant site, any proceeds of such sale, exclusive of all reasonable expenses associated with such sale and taxes directly related to the sale, but not delinquent real estate taxes, up to the total costs incurred in remediating the specific site, shall be applied against the current year's Remediation Costs to be recovered from or credited to ratepayers. In the event that any proceeds are available above the total Remediation Costs of the site, the balance of the proceeds shall then be shared equally between the Company and the ratepayers.

b) Atlantic Avenue - In the event that the Company sells its property at Atlantic Avenue (and Michigan Avenue), the Company and its ratepayers shall each be entitled to a fifty percent (50%) share of the net proceeds of sale. As to the Atlantic Avenue, net proceeds shall equal gross proceeds less the sum of (1) net book cost as of the closing of sale; (2) costs of sale including professional fees, real estate commissions, taxes and title insurance; and (3) Remediation Costs previously paid by ratepayers relative to Atlantic Avenue.

The gross proceeds of sale shall be first applied to net book cost of the property, then to costs of sale. The Environmental Response costs shall be shared as provided in a), Generally, above. Any excess over Remediation Costs recovered at Atlantic Avenue shall then be shared equally between the Company and its ratepayers as provided in a), Generally, above. Any Remediation Costs incurred after a sale of Atlantic Avenue Property shall be treated as Remediation Costs.

RIDER "G"

REMEDIATION ADJUSTMENT CLAUSE (RAC)
(Continued)

c) If the Company intends to sell a former manufactured gas plant site, it shall notify and provide the Board with details of any proposed sale at least sixty (60) days prior to any such sale.

II. Determination of the Remediation Adjustment

At least ninety (90) days prior to the commencement of each Recovery Year, the Company shall, among other material, file with the Board and serve upon Rate Counsel, and such other Parties as shall request the same, all bills and receipts relating to as well as a schedule depicting the particular purpose for the expenditure of the amount of any Remediation Costs incurred in the preceding Remediation Year for which it seeks to begin recovery in the upcoming Recovery Year, for each remediation site and a calculation of the proposed Remediation Adjustment Clause level. In that same filing, the Company shall include similar material and information to support any costs/expenses and/or recoveries resulting from Third Party Claims or sales of remediated gas manufacturing sites. The Company shall also submit in its annual filing a projection of Remediation Costs for the following Remediation Year. In addition, the Company will include a listing and status of applicable insurance policies for each site.

The RAC factor shall be calculated by taking one seventh of the Actual Remediation Costs plus applicable Third Party Claims and Sale of Property allocations incurred each year, until fully amortized, less the Deferred Tax Benefit plus the prior years' RAC remediation adjustment. This amount is then divided by the Company's total volume of prospective sales for the upcoming recovery year.

All gas consumed under Rate Schedules RSG, GSG, GSG-LV, CTS, LVS, FES, EGS, EGS-LV, IGS, ITS and NGVshall recover Remediation Costs. The charge brought forward to Rider "E" for these Rate Schedules is as follows:

	RSG, GSG, GSG-LV, EGS, EGS-LV, LVS, FES CTS, IGS, ITS and NGV
Average Cost per therm	$.009781
Applicable Revenue Tax Factor	1.0022
RAC Per Therm	$.009803
Applicable NJ Sales Tax Factor	1.06875
RAC Per Therm with NJ Sales Tax	$.010477
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RIDER "G"

REMEDIATION ADJUSTMENT CLAUSE (RAC)
(Continued)

The total annual charge to the Company's ratepayers for Remediation Costs during any Recovery Year shall not exceed five (5) percent of the Company's total revenues from firm gas sales and firm transportation during the preceding Remediation Year. In the event that the total annual charge to the Company's ratepayers for Remediation Costs during any Recovery Year exceeds 5% of the Company's total revenues from firm gas sales and firm transportation during the preceding Remediation Year, the Parties agree that, upon the request of any Party, the Board may reopen consideration of the instant mechanism. If no reopening occurs, and in the event that this limitation results in the Company recovering less than the amount that would otherwise be recovered in a particular Recovery Year, beginning with the date upon which the annual charge would have been effective, carrying costs shall accrue to the Company upon the amount by which the total annual charge to its ratepayers is less than that otherwise allowable.

Carrying costs shall accrue through the Recovery Year in which such amount, together with any accumulated carrying costs, is actually recovered by the Company from its ratepayers and shall accrue at the Before Tax Cost Rate allowed in the Company's most recent base rate case.

III. Tracking the Operation of the Remediation Adjustment Clause

The revenues billed, net of taxes and assessments through the application of the Remediation Adjustment factor shall be accumulated for each month and be applied against the total amortized Remediation Costs calculated for that year. The Remediation Adjustment Clause shall be reconciled annually, with the amount of any projected over- or under-collection to be debited or credited to the total annual Remediation Adjustment Clause level for the following Recovery Year. The over- or under-collection will be based on 10 months actual data and 2 months projected data for the Recovery Year.

RIDER "H"

RESERVED FOR FUTURE USE

RIDER "I"
BALANCING SERVICE CLAUSE - LARGE VOLUME (BSC-LV)

APPLICABLE TO:

Rate Schedule GSG-LV	-	General Service-Large Volume
Rate Schedule LVS	-	Large Volume Service
Rate Schedule FES	-	Firm Electric Service
Rate Schedule EGS	-	Electric Generation Service
Rate Schedule EGS-LV	-	Electric Generation Service – Large Volume
Rate Schedule ITS	-	Interruptible Transportation Service
Rate Schedule CTS	-	Comprehensive Transportation Service
Rate Schedule NGV	-	Natural Gas Vehicle

This Rider "I" shall be known as the Balancing Service Clause - Large Volume (BSC-LV) and will be applicable to all EGS-LV and FES customers who utilize Rider "D" to this Tariff, and to all LVS and EGS-LV Firm Transportation Service, and ITS customers. This Rider "I" will also be applicable to all Rate Schedule GSG-LV Firm Transportation Service and NGV Firm Transporation customers who have installed electronic meter reading equipment, pursuant to the provisions of Section 6.1 of the General Terms and Conditions of this Tariff and who elect to take their balancing service under this Rider "I", rather than under Rider "J". The Volumetric Charge, under the monthly Rate Section shall be the only element in this Rider applicable to Firm Sales Service customers subscribing to Rate Schedules LVS and EGS-LV.

MONTHLY RATE:

Volumetric Charge:

BS-1: $0.0027 per therm for all gas delivered under Rate Schedules LVS, EGS-LV, FES, NGV and CTS who "opt-out" as provided for in the Standard Gas Service Agreements (LV), (FES) and (EGS).

BS-1: $0.0126 per therm for all gas delivered under Rate Schedules GSG-LV, EGS, and under Rate Schedules LVS, EGS-LV, FES, NGV and CTS who do not "opt-out", including Firm Sales Service customers

Cash-Out Charges and Credits:

To be determined monthly in accordance with the methodology set forth in Paragraphs (12), (13) and (14) of this Rider "I".

DEFINITIONS:

(1) "Gas Consumption" means the volume of gas utilized by the customer, as measured at the customer's meter. Gas Consumption will be displayed on the ~~Company's Electronic Bulletin Board~~Third Party Marketer Portal (the "~~EBB~~Portal"). However, the responsibility for balancing shall remain with the customer even if the ~~Company's~~ ~~EB~~Portal~~B~~ is inoperative.

(2) On any day during which gas receipts for a customer's account exceed Gas Consumption, after adjustment to reflect line loss and sales authorized by the Company for this customer, a daily "Excess Imbalance" results. Provided, however, that as to those ITS customers, who had an annualized average use of 27 Mcf per day or less of gas, Daily Excess Imbalances shall be computed on a monthly basis.

RIDER "I"

BALANCING SERVICE CLAUSE - LARGE VOLUME (BSC-LV)
(Continued)

(3) On any day during which Gas Consumption exceeds gas receipts for a customer's account, after adjustment to reflect line loss and sales authorized by the Company, a daily "Deficiency Imbalance" results. Provided, however, that as to those ITS customers, who had an annualized average use of 27 Mcf per day or less of gas, Daily Deficiency Imbalances shall be computed on a monthly basis.

(4) Daily Deficiency Imbalances and Daily Excess Imbalances may be collectively referred to as "Daily Imbalances".

(5) "Net Monthly Imbalance" means the net of a customers Daily Imbalances, if any, during a month. If monthly Gas Consumption exceeds monthly gas receipts for a customer's account, a Monthly Deficiency Imbalance results and if monthly gas receipts exceed monthly Gas Consumption, a Monthly Excess Imbalance results.

BALANCING:

(6) Customers shall use their best efforts to ensure that the daily volumes of gas scheduled for delivery into the Company's system for the customer's account, adjusted to reflect line loss and sales authorized by the Company, equal the volumes of daily Gas Consumption by the customer.

(7) Customers shall be responsible for maintaining a balance between volumes of daily deliveries into the Company's system and daily Gas Consumption, adjusted to reflect line loss and sales authorized by the Company. Customers may maintain a balance through a combination of deliveries for their account and sales authorized by the Company.

(8) Certain levels of Daily Imbalances will be subject to a corrective plan, as provided in Paragraph 9 of this Rider "I". Daily Imbalances of this level will be referred to as "Imbalances Requiring Action" or "IRA". An Excess Imbalance will become an IRA during the winter season if daily receipts exceed daily Gas Consumption by five (5%) percent, and during the summer season if daily receipts exceed daily Gas Consumption by seven and one half (7.5%) percent. A Deficiency Imbalance will become an IRA during the winter season if daily Gas Consumption exceeds daily receipts by five (5%) percent, and during the summer season if daily Gas Consumption exceeds daily receipts by seven and one half (7.5%) percent. The winter season, as used herein, is from November 1 through March 31. The summer season is from April 1 to October 31.

Generally, the existence of an IRA will be determined for each customer, on an individual customer basis. However, for those customers who execute an Aggregation Agreement, acceptable to the Company, IRAs will be determined in the aggregate for all members of the Aggregation Group.

(9) If a customer has an IRA as demonstrated on the ~~Company's EBB~~Portal, the customer must present a plan within forty-eight (48) hours of such demonstration to eliminate the IRA. Such plan must not, inter alia, adversely impact service to other customers, affect system integrity, or affect the Company's gas supply planning. If the plan presented by the customer is unacceptable to the Company, the Company will present an alternative plan. If the customer fails to present, within 48 hours after such demonstration, a plan to eliminate

RIDER "I"

BALANCING SERVICE CLAUSE - LARGE VOLUME - (BSC-LV)
(Continued)

such IRA or fails to comply with a plan accepted by or offered by the Company, the customer shall be subject either to (a) billing for volumes of Gas Consumption in excess of receipts at a rate equal to five (5) times the Net Monthly Deficiency Imbalance Cash-Out Charge within this Rider "I", assuming a System Impact Charge of one (1.0); or (b) a buyout of the excess of receipts over volumes of Gas Consumption at a rate equal to one-fifth (1/5) of the Net Monthly Excess Imbalance Cash-Out Credit within this Rider "I", assuming a System Impact Charge of one (1.0).

(10) Notwithstanding any other provision of this Rider "I", if the Company determines in its sole reasonable discretion that it is necessary to do so to alleviate operating conditions which may threaten the integrity of its system, the Company may issue an Operational Flow Order ("OFO") to some or all customers subject to this Rider "I". The Company shall provide customers and their Aggregator/Marketers with notice of an OFO by posting the same on ~~the Company's EBB~~the Portal, and by facsimile transmission. In addition, the Company may provide notice by telephone or otherwise of said OFO. Such notice shall be effective within twenty-four hours of posting unless exigent circumstances require shorter notice, which shorter notice shall be specified in the posting. The OFO may direct, inter alia, the cessation of the creation of Deficiency Imbalances or of Excess Imbalances and that customers make a good faith effort to eliminate existing Deficiency Imbalances or Excess Imbalances. For purposes of this paragraph (10) of this Rider "I" if a customer is a member of a Customer Group pursuant to an Aggregator/Marketer's Agreement, Deficiency Imbalances and Excess Imbalances for that customer and for all members of the Customer Group shall be aggregated. Failure to comply with an OFO Imbalance shall result in the creation of an OFO Deficiency Imbalance or of an OFO Excess Imbalance. The customer may be invoiced for any OFO Deficiency Imbalance or any OFO Excess Imbalance at a rate of $50.00 per Mcf for each day that said OFO Deficiency Imbalance or OFO Excess Imbalance remains in effect. In addition, after the Company has taken the steps set forth in this paragraph (10), any customer failing to adhere to an OFO shall be subject to immediate termination of all gas service.

(11) Any customer receiving service subject to this Rider "I" must maintain computer capability necessary to access the ~~Company's EBB~~Portal directly or through an Aggregator and/or Marketer pursuant to an Aggregator's/Marketer's Agreement acceptable to the Company. Provided, however, that ITS customers with an annualized average use of 27 Mcf per day or less are exempted from the provisions of this Paragraph (11) of this Rider "I".

CASH-OUT CHARGES AND CREDITS:

(12) A customer or an Aggregator/Marketer authorized to act on a customer's behalf may exchange an imbalance with another customer or Aggregator/Marketer authorized to act on a customer's behalf. In the exchange, a Monthly Deficiency Imbalance may be exchanged for a Monthly Excess Imbalance of equal quantity. The Company will notify the Aggregators/Marketers and customers not represented by an Aggregator/Marketer each month of all outstanding imbalances and shall allow five (5) days to complete exchanges and notify the Company of all exchanges upon a prescribed form

RIDER " I "

BALANCING SERVICE CLAUSE - LARGE VOLUME (BSC-LV)
(Continued)

(13) Each month, the Company shall "cash out" Net Monthly Deficiency Imbalances as follows:

(a) Customers with a Net Monthly Deficiency Imbalance shall be charged on their bills, for service provided during such month, an amount equal to the product of (i) the Net Monthly Imbalance quantity times (ii) one hundred ten percent (110%) of the simple average of daily postings of Transcontinental Gas Pipe Line Corporation's (Transco's) Zone 6 Daily Midpoint reported each day during the month in which the Deficiency Imbalance occurred, in the Daily Price Survey in the Gas Daily; times (iii) a System Impact Charge ("SIC").

(b) In the case of Monthly Deficiency Imbalance, if:

(i) Monthly Gas Consumption exceeds monthly receipts by seven and one-half (7.5%) percent of Gas Consumption or less, the SIC will be one (1);

(ii) Monthly Gas Consumption exceeds monthly receipts by more than seven and one-half (7.5%) percent but less than fifteen (15%) percent, the SIC will be one and three tenths (1.3);

(iii) Monthly Gas Consumption exceeds monthly receipts by fifteen (15%) percent or more, the SIC will be two (2).

(c) All cash out charges under this Paragraph (12) shall be adjusted by multiplying them by 1.07 to reflect New Jersey Sales and Use Tax.

(14) Each month, the Company shall "cash out" Net Monthly Excess Imbalances as follows:

(a) Customers with a Net Monthly Excess Imbalance shall receive on their bills, for service provided during such month, a credit equal to the product of (i) the Net Monthly Imbalance quantity times (ii) ninety percent (90%) of the simple average of daily postings of Transco's Zone 6 Daily Midpoint reported each day during the month in which the Excess Imbalance occurred, in the Daily Price Survey in the Gas Daily; less (iii) a capacity charge factor of $.0050 per therm; times (iv) a System Impact Charge ("SIC").

(b) In the case of a Monthly Excess Imbalance, if:

(i) Monthly receipts exceed monthly Gas Consumption by seven and one-half (7.5%) percent of Gas Consumption or less, the SIC will be one (1);

(ii) Monthly receipts exceed monthly Gas Consumption by more than seven and one-half (7.5%) percent but less than fifteen (15%) percent, the SIC will be two-thirds (2/3);

(iii) Monthly receipts exceed monthly Gas Consumption by fifteen (15%) percent or more, the SIC will be one-half (1/2).

RIDER "I"

BALANCING SERVICE CLAUSE - LARGE VOLUME - (BSC-LV)
(Continued)

(15) For purposes of the cash out provisions of this Rider "I", generally, determinations will be made for each customer on an individual customer basis. However, for those customers who execute an Aggregator/Marketer Agreement, acceptable to the Company, "cash out" calculations will be determined in the aggregate for all members of the Aggregate Group.

OTHER PROVISIONS:

(16) All charges under this Rider "I" of this Tariff, as well as charges under Rate Schedules EGS-LV, FES, LVS, ITS, NGV or GSG-LV (if the customer has elected to have transportation charges invoiced by the Aggregator/Marketer), as well as the Aggregator/Marketer's Fee will be invoiced to the Aggregator/Marketer, in accordance with the Aggregator/Marketer's Agreement. Otherwise, charges will be billed to the customer. Payment of all invoices to the Aggregator/Marketer or to the customer must be received in full at the Company's designated office within fifteen (15) days of the billing date; provided, however, the Company shall take into account any postal service delays of which the Company is advised. If the fifteenth (15th) day falls on a nonbusiness day, the due date shall be extended to the next business day. Should the Aggregator/ Marketer fail to make payment as specified, the Company may, beginning on the twenty-sixth (26th) day, assess simple interest at a rate equal to the prime rate as published in the Money Rates column in The Wall Street Journal.

(17) All charges under Rate Schedules GSG-LV, NGV, EGS-LV, FES, LVS or ITS will be invoiced to the individual customers, who shall be solely responsible for these charges, as well as these Rider "I" charges when a customer has no Aggregator/Marketer.

(18) In the event that, during any month the sum of the month-to-date Deficiency Imbalances or Excess Imbalances, for non-Force Majeure reasons, for an Aggregator/Marketer exceeds three (3) times the ACD, the Company will immediately notify the Aggregator /Marketer via telephone, e-mail, facsimile or similar means. If Deficiency Imbalances or Excess Imbalances reach five (5) times the ACD, the following will occur: (1) the Aggregator /Marketer is no longer eligible to function as an Aggregate/Marketer on the Company's system until the conditions set forth in this paragraph (18) are satisfied, but not before the first (1st) day of the following month; and (2) for the balance of the current month and for future months, the affected Aggregator /Marketer's customers will be supplied natural gas by the Company and will be billed on a prorated basis according to the following schedule:

Rate Schedule	Billing Charge
GSG-LV	Monthly BGSS Rate
LVS	Monthly BGSS Rate
FES	Firm Market Volumetric Charge
EGS	Monthly BGSS Rate
EGS-LV	Monthly BGSS Rate
ITS	Monthly Rate pursuant to Rate Schedule IGS
CTS	Monthly BGSS Rate
NGV	Monthly BGSS Rate

RIDER "I"

BALANCING SERVICE CLAUSE - LARGE VOLUME - (BSC-LV)
(Continued)

Such customers will be charged on a prorated basis upon the appropriate Rate Schedule, including all Special Provisions of the appropriate Rate Schedule for gas delivered, including gas deliveries resulting in imbalances, prior to the implementation of the revised billing rate.

In order to be reinstated as an eligible Aggregator/Marketer, following termination of Aggregator/Marketer status for Deficiency Imbalances or Excess Imbalances as set forth above, the Aggregator/Marketer in addition to meeting all other applicable requirements must post and maintain for one (1) year security in a credit facility satisfactory to the Company in an amount equal to two (2) times that which would otherwise be required by the Company. At the conclusion of that year and assuming no additional occurrence of Deficiency Imbalances or Excess Imbalances as described above, the Aggregator/Marketer will be released from its obligation to provide security in excess of that otherwise required by the Company. If an additional Deficiency Imbalance or Excess Imbalance as described above occurs during that one-year period, the Aggregator/Marketer will be disqualified as an Aggregator/Marketer upon the Company's system for an additional one (1) year period.

As used in this Paragraph (18), ACD shall mean the aggregate of all Contract Demands, expressed in dekatherms, of all customers served by an Aggregator /Marketer under an applicable Rate Schedule. For a customer who does not have a Contract Demand, the Company shall supply a quantity to be used in lieu thereof.

(19) The BS-1 Charge within Volumetric Charge portion of this Rider "I" shall not be applicable to: (i) customers receiving deliveries of gas pursuant to Rate Schedule ITS; and (ii) customers receiving deliveries of gas pursuant to Rate Schedule FES and who utilize Rider "D" to this Tariff.

(20) Any charges imposed pursuant to the above Paragraphs (1) through (21) of this Rider "I" shall be in addition to other charges imposed pursuant to this Rider "I".

RIDER "J"
BALANCING SERVICE CLAUSE - GENERAL SERVICE (BSC-GS)

APPLICABLE TO:

Rate Schedule RSG	-	Residential Service Gas
Rate Schedule GSG	-	General Service Gas
Rate Schedule GSG-LV	-	General Service Gas – Large Volume
Rate Schedule EGS	-	Electric Generation Service
Rate Schedule NGV	-	Natural Gas Vehicle

This Rider "J" shall be known as the Balancing Service Clause - General Service (BSC-GS) and will be applicable to all RSG Firm Transportation Service customers and GSG Firm Transportation Service customers. This Rider “J” will also be applicable to GSG-LV, NGV and EGS Firm Transportation customers who elect to take balancing service under this Rider “J”. Provided, however, that pursuant to the terms of Rider "I" certain GSG-LV, NGV and EGS Firm Transportation Service customers may elect to take balancing service pursuant to Rider "I". The Volumetric Charge, under the Monthly Rate Section, shall be the only element in this Rider applicable to Firm Sales Service customers subscribing to Rate Schedules RSG,GSG, GSG-LV, NGV and EGS.

MONTHLY RATE:

Volumetric Charge:

BS-1: $.050400 per therm for all gas delivered under the applicable rate schedules in addition to the following:

DCQ AND BUY-OUT CHARGE:

(1) "Daily Contract Quantity" (DCQ) for all customers except for Rate Schedule RSG Firm Transportation Service customers shall mean a quantity of gas determined annually by the company. The DCQ shall be determined for each of the forthcoming twelve (12) months by dividing the customer's weather-normalized usage for each of the most recent twelve (12) months by the total number of days in each month. The Company may adjust the customer's DCQ during any twelve (12) month period, due to changes in the customer’s gas equipment or pattern of usage or other acceptable information provided by the customer. For New Customers, the customer's initial DCQ will be estimated by the Company, based upon the rating of the customer's gas equipment and expected utilization of the equipment. Customer will be obligated to deliver or cause to be delivered to the Company's city gate station the customer's DCQ each day for the customer's account.

The DCQ for Rate Schedule RSG Firm Transportation Service customers shall mean a quantity of gas determined by the Company. The DCQ shall be determined separately for Rate Schedule RSG Firm Transportation Service customers who are heating customers, and for those who are non-heating customers (“Heating Group” and “Non-Heating Group”). The DCQ for both the Heating Group and the Non-Heating Group shall be determined on a Company system-wide, weather normalized basis. The Company will determine the DCQ for each customer in the Heating Group, which will be the same for all members of the Heating Group, and for each customer in the Non-Heating Group, which will be the same for all members of the Non-Heating Group, each month. The Aggregator/Marketer will be obligated to deliver or cause to be delivered to the Company’s City Gate Station, each day, the DCQ for each customer within that Aggregator/Marketer’s Aggregated Group.

A review of service provided to Rate Schedule RSG Firm Transportation Service customers shall be performed after twelve (12) months service, and every twelve (12) months thereafter. Upon such review, in the

RIDER "J"
BALANCING SERVICE CLAUSE - GENERAL SERVICE (BSC-GS)
(Continued)

event that a customer's account has a negative balance, the Aggregator/Marketer shall have thirty (30) days to pay back such negative balance. Prior to making such pay-back, the Aggregator/Marketer must get approval to do so from the Company, which may, at its sole reasonable discretion, extend the pay-back period. If a negative balance remains after thirty (30) days, the Aggregator/Marketer will be charged the Rate Schedule RSG Firm Sales Service customer rates multiplied by each therm of negative balance. If the customer's account has a positive balance, the Company will purchase such gas at the Buy-Out Price provided for in this Rider "J".

(a) At the end of each Winter Season, and at the end of each Summer Season, the Company will calculate the difference between the customer's actual usage and actual deliveries, and will adjust the DCQ beginning with the second month succeeding the end of each Winter Season and each Summer Season by said difference divided by the total number of days remaining in the Winter Season or the Summer Season. Provided that such an adjustment will not decrease any month's adjusted DCQ to a level less than zero. Any such adjustments that result in a particular month's DCQ being less than zero will be carried to a future month.

(b) Upon termination of transportation service under the applicable rate schedules the Company shall review the status of customer's account. In the event that customer's account has a negative balance, the customer shall have thirty days to pay back such negative balance. If any negative balance remains after thirty days, the customer will be charged the Rate Schedule GSG Firm Sales Service rates multiplied by each therm of negative balance. If customer's account has a positive balance, the Company will purchase such gas at the Buy-Out Price.

(2) As used in this Rider "J" "Buy-Out Price", shall mean a price equal to the lowest price of gas delivered to the Company's system during the month the positive balance or an Excess Imbalance occurs.

BALANCING:

(3) On any day during which gas receipts for a customer's account exceed DCQ, after adjustment to reflect line loss and sales authorized by the Company for the customer, a daily "Excess Imbalance" results.

(4) On any day during which DCQ exceeds gas receipts for a customer's account, after adjustment to reflect line loss and sales authorized by the Company for the customer, a daily "Deficiency Imbalance" results.

(5) Customers shall use their best efforts to ensure that the daily volumes of gas scheduled for delivery into the Company's system for the customer's account, adjusted to reflect line loss and sales authorized by the Company, are equal to the customers' DCQ.

(6) Each customer shall be responsible for maintaining a balance between volumes of daily deliveries into the Company's system adjusted to reflect line loss and sales authorized by the Company for the customer and the customer's DCQ. Each customer may maintain a balance through a combination of deliveries for its account and sales authorized by the Company.

(7) If, on any day, an Excess Imbalance exists for the account of a customer, the excess may be bought by the Company at one third of the Buy Out Price. Moreover, an Excess Imbalance may not be utilized to discharge a

RIDER "J"

BALANCING SERVICE CLAUSE - GENERAL SERVICE (BSC-GS)
(Continued)

Deficiency Imbalance or in any other way be utilized by the customer to discharge transportation obligations.

(8) If, on any day, a Deficiency Imbalance up to and including five percent (5%) exists for the account of a customer, the customer may be billed for such Deficiency Imbalance at a rate equal to five (5) times the applicable sales rate under Rate Schedules RSG Firm Sales Service, GSG Firm Sales Service, GSG-LV Firm Sales Service, NGV Firm Sales Service or EGS Firm Sales Service. If, on any day, a Deficiency Imbalance of greater than five percent (5%) exists for a customer's account, the customer may be billed a charge equal to ten (10) times the applicable sales rate under Rate Schedules RSG Firm Sales Service, GSG Firm Sales Service, GSG-LV Firm Sales Service, NGV Firm Sales Service or EGS Firm Sales Service.

(9) Notwithstanding any other provision of this Rider "J", if the Company determines in its sole reasonable discretion that it is necessary to do so to alleviate operating conditions which may threaten the integrity of its system, the Company may issue an Operational Flow Order ("OFO") to some or all customers subject to this Rider "J". The Company shall provide customers and their Aggregator/Marketers with notice of an OFO by posting the same on the ~~Company's EBB~~Portal, and by facsimile transmission. Alternatively, the Company may provide notice by telephone or otherwise of said OFO. Such notice shall be effective within twenty-four hours of posting unless exigent circumstances require shorter notice, which shorter notice shall be specified in the posting. The OFO may direct, inter alia, the cessation of the creation of Deficiency Imbalances or of Excess Imbalances and that customers make a good faith effort to eliminate existing Deficiency Imbalances or Excess Imbalances. For purposes of this paragraph (9) of this Rider "J" if a customer is a member of a Customer Group pursuant to an Aggregator/Marketer's Agreement, Deficiency Imbalances and Excess Imbalances for that customer and for all members of the Customer Group shall be aggregated. Failure to comply with an OFO shall result in the creation of an OFO Deficiency Imbalance or of an OFO Excess Imbalance. The customer may be invoiced for any OFO Deficiency Imbalance or for any OFO Excess Imbalance at a rate of $50.00 per Mcf of such OFO Deficiency Imbalance or OFO Excess Imbalance for each day that said OFO Deficiency Imbalance or OFO Excess Imbalance remains in effect. In addition, after the Company has taken the steps set forth in this paragraph (9), any customer failing to adhere to an OFO shall be subject to immediate termination of all gas service.

(10) Any customer receiving service subject to this Rider "J" must maintain computer capability necessary to access ~~the Company's EBB~~the Portal directly or through an Aggregator and/or Marketer pursuant to an Aggregator's/Marketer's Agreement acceptable to the Company.

OTHER PROVISIONS:

(11) Under no circumstances shall the Company be obligated to deliver more than the customer's DCQ for the customer's account. Provided, however, that nothing in this paragraph (11) of this Rider "J" shall affect the customer's ability to consume gas in excess of the DCQ. Moreover, if the DCQ shall prove insufficient or excessive in any respect for the customer's needs, the Company shall not assume any responsibility or liability of any kind for such excess or insufficiency.

Issued January 27, 2017 **Effective with service rendered**
by South Jersey Gas Company, **on and after February 28, 2017**
D. Robbins, Jr., President
Filed pursuant to Order in Docket No. __________ of the Board of
Public Utilities, State of New Jersey, dated ___________

RIDER "J"

BALANCING SERVICE CLAUSE - GENERAL SERVICE (BSC-GS)
(Continued)

(12) All charges under this Rider "J" of this Tariff, as well as charges under Rate Schedules RSG Firm Transportation Service, GSG Firm Transportation Service, GSG-LV Firm Transportation Services, NGV Firm Transportation Service or EGS Firm Transportation Service as well as the Aggregator/Marketer's Fee will be invoiced to the Aggregator/Marketer, in accordance with the Aggregator's/Marketer's Agreement. Otherwise, charges will be billed to the customer. Payment of all invoices to the Aggregator/Marketer or to the customer must be received in full at the Company's designated office within fifteen (15) days of the billing date; provided, however, the Company shall take into account any postal service delays of which the Company is advised. If the fifteenth (15th) day falls on a nonbusiness day, the due date shall be extended to the next business day. Should the Aggregator/Marketer fail to make payment as specified, the Company may, beginning on the twenty-sixth (26th) day, assess simple interest at a rate equal to the prime rate as published in the Money Rates column in The Wall Street Journal.

(13) When a customer has no Aggregator/Marketer, all charges under Rate Schedule GSG Firm Transportation Service will be invoiced to the individual customers, who shall be solely responsible for these charges, as well as these Rider "J" charges.

(14) In the event that, during any month the sum of the month-to-date Deficiency Imbalances or Excess Imbalances, for non-Force Majeure reasons, for an Aggregator/Marketer exceeds three (3) times the ADCQ, the Company will immediately notify the Aggregator /Marketer via the telephone, facsimile or similar means. If Deficiency Imbalances or Excess Imbalances reach five (5) times the ADCQ, the following will occur: (1) the Aggregator/Marketer is no longer eligible to function as an Aggregator/Marketer on the Company's system until the conditions set forth in this paragraph (14) are satisfied, but not before the first (1st) day of the following month; and (2) for the balance of the current month and for future months, the affected Aggregator/Marketer's customers will be supplied natural gas by the Company and will be billed on a prorated basis according to the following schedule:

Rate Schedule	Billing Charges
RSG Firm Transportation Service	GSG Monthly BGSS Rate
GSG Firm Transportation Service	GSG Monthly BGSS Rate
GSG-LV Firm Transportation Service	GSG Monthly BGSS Rate
EGS Firm Transportation Service	GSG Monthly BGSS Rate
NVG Firm Transportation Service	GSG Monthly BGSS Rate

Such customers will be charged on a prorated basis upon the appropriate Rate Schedule, including all Special Provisions of the appropriate Rate Schedule for gas delivered, including gas deliveries resulting in imbalances, prior to the implementation of the revised billing rate.

In order to be reinstated as an eligible Aggregator/Marketer, following termination of Aggregator/Marketer status for Deficiency Imbalances or Excess Imbalances as set forth above, the Aggregator/Marketer in addition to meeting all other applicable requirements must post and maintain for one (1) year security in a credit facility satisfactory to the Company in an amount equal to two (2) times that which would otherwise be required by the Company. At the conclusion of that year and assuming no additional occurrence of Deficiency Imbalances or Excess Imbalances as described above, the Aggregator/Marketer will be released from its obligation to provide

RIDER "J"
BALANCING SERVICE CLAUSE - GENERAL SERVICE (BSC-GS)
(Continued)

security in excess of that otherwise required by the Company. If an additional Deficiency Imbalance or Excess Imbalance as described above occurs during that one-year period, the Aggregator/Marketer will be disqualified as an Aggregator/Marketer upon the Company's system for an additional one (1) year period. As used in this Paragraph (14), ADCQ shall mean the aggregate of all Daily Contract Quantities, expressed in dekatherms, of all customers served by an Aggregator/Marketer under the applicable Rate Schedule.

(15) Any charges imposed pursuant to the above Paragraphs (1) through (14) of this Rider "J" shall be in addition to other charges imposed pursuant to this Rider "J".

RIDER "K"

CLEAN ENERGY PROGRAM CLAUSE (CLEP)

APPLICABLE TO:

Rider "E" - Societal Benefits Clause

In its annual Societal Benefits Clause Petition, the Company will include data necessary to compute its CLEP factor for the upcoming CLEP Year. The Company's CLEP Plan Year will be the 12 month period ended October 31 of each year.

The CLEP factor set forth in this Rider "K" is calculated annually based upon the projected CLEP costs and an amount that accounts for revenue erosion divided by the projected therm sales. Any difference between the preceding year's costs and recoveries will be added to or deducted from the succeeding year's computation.

The charge brought forward to Rider "E" is as follows:

	RSG, GSG, GSG-LV, CTS Firm, EGS, EGS-LV, FES, LVS, ITS and NGV
Average Cost per Therm	$.011879
Applicable Revenue Tax Factor	1.0022
CLEP per Therm	$.011905
Applicable NJ Sales Tax Factor	1.06875
CLEP per Therm with NJ Sales Tax	$.012723 =======

RIDER "K"

CLEAN ENERGY PROGRAM CLAUSE (CLEP)

(Continued)

The formula for calculating the CLEP rate is as follows:

$$\frac{CB + RE + [+ RB]}{AS}$$

where:

CB = Approved CLEP costs.

RE = Cumulative annual revenue erosion from the date of effectiveness of the plan until the time that new base rates take effect. Annual erosion is determined by multiplying the projected measured annual decrease in firm sales attributable to implementation of the CLEP by the net margin revenue associated with that decrease in each affected service classification.

RB = Prior year recovery balance.

AS = Projected annual sales for all firm customers except YLS/SLS.

RIDER "L"

SUT CLAUSE ("SUTC")

APPLICABLE TO:

This Rider "L" is applicable to all Rate Schedules.

In accordance with P .L. 1997, c. 162 (the "Energy Tax Reform Act"), provision for the New Jersey Sales and Use Tax ("SUT") has been included in all rates within the Rate Schedules of this tariff by multiplying the charges that would have applied before application of SUT by the factor 1.06875.

ENERGY TAX REFORM ACT EXEMPTIONS:

A. The Energy Tax Reform Act exempts the following customers from the SUT provision, and when billed to such customers, the charges otherwise applicable under this tariff shall be reduced by the provision for the SUT included therein:

1. Franchised providers of utility services (gas, electricity, water, waste water and telecommunications services provided by local exchange carriers) within the State of New Jersey.

2. Cogenerators in operation, or which have filed an application for an operating permit or a construction permit and a certificate of operation in order to comply with air quality standards under P.L 1954, c. 212 (C.26:2C-1 et seq.) with the New Jersey Department of Environmental Protection, on or before March 10, 1997.

3. Special contract customers for which a customer-specific tax classification was approved by a written Order of the New Jersey Board of Public Utilities prior to January 1, 1998.

4. Agencies or instrumentalities of the federal government.

5. International organizations of which the United States of America is a member.

BUSINESS RETENTION AND RELOCATION ASSISTANCE ACT EXEMPTIONS:

B. The Business Retention and Relocation Assistance Act (P .L. 2004, c. 65) and susbsequent amendment (P.L. 2005, c. 374) exempts the following customers from the SUT provision, and when billed to such customers, the charges otherwise applicable shall be reduced by the provision for the SUT included therein:

1. A qualified business that employs at least 250 people within an enterprise zone, at least 50% of whom are directly employed in a manufacturing process, for the exclusive use or consumption of such business within an enterprise zone, and

2. A group of two or more persons: (a) each of which is a qualified business that are all located within a single redevelopment area adopted pursuant to the "Local Redevelopment and Housing Law," P.L.1992, c.79 (C.40A:12A-1 et seq.); (b) that collectively employ at least 250 people within an enterprise zone, at least 50% of whom are directly employed in a manufacturing process; (c) are each engaged in a vertically

RIDER "L"
SUT CLAUSE ("SUTC")
(Continued)

integrated business, evidenced by the manufacture and distribution of a product or family of products that, when taken together, are primarily used, packaged and sold as a single product; and (d) collectively use the energy and utility service for the exclusive use or consumption of each of the persons that comprise a group within an enterprise zone.

3. A business facility located within a county that is designated for the 50% tax exemption under section 1 of P.L. 1993, c.373 (C.54:32B-8.45) provided that the business certifies that it employs at least 50 people at that facility, at least 50% of whom are directly employed in a manufacturing process, and provided that the energy and utility services are consumed exclusively at that facility.

A business that meets the requirements in B.1, B.2 or B.3 above shall not be provided the exemption described in this section until it has complied with such requirements for obtaining the exemption as may be provided pursuant to P.L. 1983, c.303 (C.52:27H-60 et seq.) and P.L.1966, c.30 (C.54:32B-1 et seq.) and the Company has received a sales tax exemption letter issued by the New Jersey Department of Treasury, Division of Taxation.

RIDER "M"

CONSERVATION INCENTIVE PROGRAM ("CIP")

APPLICABLE TO:

Rate Schedule RSG	-	Residential Service
Rate Schedule GSG	-	General Service
Rate Schedule GSG-LV	-	General Service – Large Volume

(a) This Rider "M" shall be known as the Conservation Incentive Program ("CIP"). It shall be utilized to adjust the Company's revenues in cases wherein Actual Usage per Customer experienced during an Annual Period varies from the Baseline Usage per Customer ("BUC"). This adjustment will be effectuated through a credit or surcharge applied to customers' bills during the Adjustment Period. The credit or surcharge will also be adjusted to reflect prior year under recoveries or over recoveries pursuant to this CIP.

(b) The BUC in therms for each Customer Class Group by month is as follows:

SOUTH JERSEY GAS COMPANY

Month	Group I: RSG Non-Heating	Group II: RSG Heating	Group III: GSG	Group IV: GSG-LV
Oct.	9.8~~13.6~~	17.4~~34.1~~	98.3~~218.6~~	8,357.0~~51 10,817.7~~
Nov.	17.6~~13.7~~	72.8~~76.8~~	334.4~~445.8~~	19,088.4~~2 17,479.9~~
Dec.	29.5~~20.7~~	130.6~~126.4~~	532.4~~613.3~~	23,660.7~~2 5,743.1~~
Jan.	31.2~~23.5~~	158.1~~157.0~~	647.0~~645.9~~	26,875.9~~2 9,051.9~~
Feb.	27.2~~23.3~~	132.3~~135.3~~	609.0~~622.2~~	27,536.8~~2 4,583.0~~
Mar.	24.5~~27.7~~	105.3~~104.3~~	475.7~~512.4~~	20,674.1~~2 1,049.1~~
Apr.	17.6~~19.7~~	52.4~~51.9~~	278.8~~261.6~~	20,261.0~~1 4,872.7~~
May	12.6~~14.0~~	26.7~~29.6~~	205.0~~160.2~~	11,216.1~~1 0,250.2~~
Jun.	9.7~~11.4~~.	16.7~~15.6~~	156.0~~118.4~~	8,532.3~~7,6 27.9~~
Jul.	9.7~~11.5~~	15.9~~14.7~~	131.9~~104.0~~	5,128.6~~6,8 17.7~~
Aug.	10.0~~11.2~~	15.8~~13.3~~	195.7~~130.5~~	16,278.9~~5, 906.0~~
Sep.	8.4~~10.0~~	15.8~~16.8~~	124.8~~122.4~~	3,558.7~~5,2 83.1~~
Total Annual	207.8~~200.3~~	759.8~~775.8~~	3,788.9~~39 55.3~~	191,168.6 ~~179,482.3~~

The BUC shall be reset each time new base rates are placed into effect as the result of a base rate case proceeding.

(c) At the end of the Annual Period, a calculation shall be made that determines for each Customer Class Group the deficiency ("Deficiency") or excess ("Excess") to be surcharged or credited to customers pursuant to the CIP

RIDER "M"
CONSERVATION INCENTIVE PROGRAM
(Continued)

mechanism. The Deficiency or Excess shall be calculated each month by multiplying the result obtained from subtracting the Baseline Usage per Customer from the Actual Usage per Customer by the actual number of customers, and then multiplying the resulting therms by the Margin Revenue Factor.

(d) Recovery of any Deficiency in accordance with Paragraph (c), above, associated with non-weather related changes in customer usage will be limited to the level of BGSS savings achieved as provided for in the 2014~~06~~ Order of the Board of Public Utilities in Docket No. GR13030185~~05121019~~. The value of the weather-related changes in customer usage shall be calculated in accordance with Rider F to this tariff.

(e) Except as limited by Paragraph (d), above, the amount to be surcharged or credited to the Customer Class Group shall equal the aggregate Deficiency or Excess for all months during the Annual Period determined in accordance with the provisions herein, divided by the FAU for the Customer Class Group.

(f) The currently effective CIP Factor by Customer Class Group are as follows:

	Group I: RSG Non-Heating	**Group II: RSG Heating**	**Group III: GSG**	**Group IV: GSG-LV**
CIP Factors Per Therm	$0.024831	$0.068086	$0.054396	$0.016484
Applicable Revenue Tax Factor	1.0022	1.0022	1.0022	1.0022
CIP Factors Per Therm	$0.024886	$0.068236	$0.054516	$0.016520
Applicable NJ Sales Tax Factor	1.06875	1.06875	1.06875	1.06875
CIP Factors Per Therm with NJ Sales Tax	**$0.026597**	**$0.072927**	**$0.058264**	**$0.017656**

(g) The CIP shall not operate to cause the Company to earn in excess of its allowed rate of return on common equity of 11.00~~9.75~~% for any twelve month period ending September 30; any revenue which is not recovered will not be deferred. For purposes of this paragraph (f), the Company's rate of return on common equity shall be calculated by dividing the Company's net income for such annual period by the Company's average 13 month common equity balance for such annual period, all data as reflected in the Company's monthly reports to the Board of Public Utilities. The Company's net income shall be calculated by subtracting from total net income the Company's share of margins from: (1) Interruptible Sales; (2) Interruptible Transportation; (3) On-System Capacity Release; (4) Off-System Sales and Capacity Release; (5) the Storage Incentive Mechanism, (6) the Energy Efficiency Tracker, (7) the Accelerated Infrastructure Replacement Program and (8) the Storm Hardening and Reliability Program..

(h) As used in this Rider "M", the following terms shall have the meanings ascribed to them herein:

RIDER "M"

CONSERVATION INCENTIVE PROGRAM (CIP)

(Continued)

(i) **Actual Number of Customers – t**he Actual Number of Customers ("ANC") shall be determined on a monthly basis for each of the Customer Class Groups to which the CIP Clause applies. The ANC shall equal the aggregate actual booked number of customers for the month as recorded on the Company's books, plus any Incremental Large Customer Count Adjustment for the Customer Class Group.

(ii) **Actual Usage per Customer –** the Actual Usage per Customer ("AUC") shall be determined in therms on a monthly basis for each of the Customer Class Groups to which the CIP applies. The AUC shall equal the aggregate actual booked sales for the month as recorded on the Company's books divided by the Actual Number of Customers for the corresponding month.

(iii) **Adjustment Period – shall** be the calendar year beginning immediately following the conclusion of the Annual Period.

(iv) **Annual Period –** shall be the twelve consecutive months from October 1 of one calendar year through September 30 of the following calendar year.

(v) **Baseline Usage per Customer –** the Baseline Usage per Customer ("BUC") shall be the average normalized consumption per customer by month derived from the Company's most recent base rate case, and stated in therms on a monthly basis for each Customer Class Group to which the CIP applies. The BUC shall be rounded to the nearest one tenth of one therm.

(vi) **Customer Class Group –** For purposes of determining and applying the CIP, customers shall be aggregated into four separate recovery class groups. The Customer Class Groups shall be as follows:

Group I:	RSG (non-heating customers only)
Group II:	RSG (heating customers only)
Group III:	GSG customers
Group IV:	GSG-LV customers

(vii) **Forecast Annual Usage** – the Forecast Annual Usage ("FAU") shall be the projected total annual throughput for all customers within the applicable Customer Class Group. The FAU shall be estimated based on normal weather.

(viii) **Incremental Large Customer Count Adjustment** – the Company shall maintain a list of incremental commercial and industrial customers added to its system on or after September~~October~~ 1, 2017~~05~~ whose connected load is greater than that typical for the Company's average commercial and industrial customer in the GSG or GSG-LV rate schedules. For purposes of the CIP, large incremental customers shall be those GSG customers whose connected load exceeds 1,200 cubic feet per hour ("CFH") and those GSG-LV customers whose connected load exceeds 50,000 CFH. A new customer at an existing location previously connected to the Company's facilities shall not be considered an incremental customer. The Actual Number of Customers for the Customer Class Group shall be adjusted to reflect the impact of all such incremental commercial or industrial customers. Specifically, the Incremental Large Customer Count Adjustment for the GSG customer class for the applicable month shall equal the aggregate connected load for all new active customers that exceed the 1,200 CFH threshold divided by 600 CFH,

RIDER "M"

CONSERVATION INCENTIVE PROGRAM (CIP)

(Continued)

rounded to the nearest whole number. Similarly, the Incremental Large Customer Count Adjustment for the GSG-LV customer class for the applicable month shall equal the aggregate connected load for all new active customers that exceed the 50,000 CFH threshold divided by 25,000 CFH, rounded to the nearest whole number.

(ix) **Margin Revenue Factor** – the Margin Revenue Factor ("MRF") shall be the base rate, as reflected in Appendix A to this Tariff, applicable to the Customer Class Groups to which the CIP applies, net of any applicable Riders, including taxes. The MRFs by Customer Class Group are as follows:

Group I (RSG non-heating):	$0.724583~~547317~~ per therm
Group II (RSG heating):	$0.724583~~547317~~ per therm
Group III (GSG):	$0.624256~~435411~~ per therm
Group IV (GSG-LV):	$0.295286~~238429~~ per therm

(i) The annual filing for the adjustment to the CIP rate shall be concurrent with the annual filing for BGSS. The CIP factor shall be credited/collected on a per therm basis within the Delivery Charge for all service classifications stated above. The level of BGSS savings referenced in Special Provision (d) to this Rider "M" shall be identified in the annual CIP filing, and serve as an offset to the non-weather related portion of the CIP charge provided in Special Provision (g) to this Rider "M". The Periodic and Monthly BGSS rates identified in Rider "A" to this tariff shall include the BGSS savings, as applicable.

RIDER "N"

ENERGY EFFICIENCY TRACKER ("EET")

APPLICABLE TO:

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

This Rider "N" shall be known as the Energy Efficiency Tracker ("EET"). For financial accounting purposes the Company shall record a return on and a return of investments in energy efficiency programs, as approved by the Board at Docket No. GO09010059, in an Order dated July 24, 2009, Docket No. GO12050363, in an Order dated June 21, 2003 and Docket No. GR15010090, in an Order dated August 19, 2015 and recover all incremental operating and maintenance expenses of the programs, subject to the EET. The calculation will use the weighted average cost of capital as identified in the respective Orders referenced above.

The EET rate will be calculated annually using projected data and subject to a true-up at the end of the EET year (September 30th) with simple interest on net over/under recoveries. Interest associated with over recoveries will be credited against the EET, while interest associated with under recoveries will be charged to the EET. The interest on monthly EET under and over recoveries shall be the interest rate based on the Company's weighted interest rate for the corresponding month obtained on its commercial paper and bank credit lines but shall not exceed the Company's weighted average cost of capital utilized to set rates in its most recent base rate case.

This EET will be effectuated through a volumetric rate applied to customers' bills. The Company shall make an annual EET rate filing in June of each year with a proposed implementation of the revised EET rate in October. Included in the filing will be a list of efficiency programs offered and eligible for recovery under the EET.

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

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

EET Rate per therm	$0.004268
Applicable Revenue Tax	$0.000009
Total EET Rate per therm	$0.004277
Applicable NJ Sales Tax	$0.000277
EET Rate per therm with NJ Sales Tax	$0.004571

GENERAL TERMS AND CONDITIONS - INDEX

GENERAL TERMS AND CONDITIONS - INDEX
(Continued)

GENERAL TERMS AND CONDITIONS

1. GENERAL

1.1 **FILING AND POSTING OF TARIFF:** A copy of this Tariff is filed with the Board and copies are posted and open to inspection at the offices of the Company. A copy of this Tariff is also available on the Company's website at www.southjerseygas.com.

1.2 **APPLICATION OF TARIFF:** These General Terms and Conditions govern all rate schedules to the extent applicable and are made part of all Standard Gas Service Agreements for the supply of gas service unless specifically modified by the terms of a particular rate schedule or by special terms written in and made a part of a Standard Gas Service Agreement. Failure by the Company to enforce any provisions, terms or conditions set forth in this Tariff shall not be deemed a waiver thereof. If any terms and conditions contained in this Tariff are in conflict with the New Jersey Administrative Code, the New Jersey Administrative Code shall prevail. The Tariff will not be construed to be in conflict with the New Jersey Administrative Code if the Tariff provides for a more liberal treatment of customers than that provided for in the New Jersey Administrative Code.

1.3 **STATEMENTS BY AGENTS:** No representative of the Company has the authority to modify any provisions contained in this Tariff or to bind the Company by any promise or representation contrary hereto.

No modification of the terms and provisions of any Standard Gas Service Agreement shall be effective except by execution of a new Standard Service Agreement.

1.4 **REVISION OF TARIFF:** The Tariff is subject to the lawful orders of the Board. The Company reserves the right at any time and in any manner permitted by law, and the applicable rules and regulations of the Board, to terminate, or to change or modify by revision, amendment, supplement, or otherwise, this Tariff or any part thereof, or any revision or amendment thereof or supplement thereto. All Standard Gas Service Agreements are accepted subject to the above reservations.

2. OBTAINING SERVICE

2.1 **APPLICATION FOR SERVICE:** Application for gas service may be made at any office of the Company in person, by telephone, or by mail. Applicant shall indicate conditions under which service will be required and Applicant may be required to sign a Standard Gas Service Agreement covering conditions under which service will be supplied.

2.2 **EXTENSION OF GAS SERVICE:**

2.2.1 **CHARGES**: In addition to the charges set forth in Rate Schedules and Riders included elsewhere in this Tariff, the Company may require additional monthly charges, up-front contributions, or deposits, pursuant to N.J.A.C. 14:3-8.1, *et seq.* These charges shall be increased for any tax consequences to the Company.

GENERAL TERMS AND CONDITIONS
(Continued)

2.2.2 **REFUNDS:** Deposits that are received from customers pursuant to Sections 4 – Extensions of Mains and Services and 5 – Service Connections of the General Terms and Conditions of this Tariff, shall be refunded without interest in accordance with the applicable formula contained in N.J.A.C. 14:3-8.10 and N.J.A.C. 14:3-8.11. In no event shall the Company refund more than the total deposit amount received from the Customer. Any deposit amount not refunded within ten (10) years from the date service was initiated, shall remain with the Company and shall constitute a contribution in aid of construction ("CIAC").

Deposits that are received from customers pursuant to Section 2 – Obtaining Service of the General Terms and Conditions of this Tariff, shall be refunded in accordance with N.J.A.C. 14:3-3.5.

2.3 **SELECTION OF RATE SCHEDULE:** Company will, upon request, assist the Applicant in selection of the applicable rate. The Company shall determine which rate schedule or rate schedules are available to an Applicant. The Company shall make such determination based upon information supplied by the Applicant or by inspection, at the Company's election. Where more than one rate schedule is available to a particular Applicant , the Company shall have at all times the duty to assist such Applicant in a selection of the rate schedule most favorable for his individual requirements and to make every reasonable effort to insure that such Applicant is served under the most advantageous schedule.

2.3.1 **CHANGE OF RATE SCHEDULE:** Subsequent to initial selection of a rate schedule, customer shall notify Company in writing of any change in the character or use of service which might affect the selection of a rate schedule or provision within a rate schedule. If the change in character or use warrants a change in schedule or provision, said change may commence with the next month's bill.

2.4 **DEPOSIT AND GUARANTEE:** A reasonable deposit or other guarantee satisfactory to the Company may be required from any new or existing customer who has not established credit with the Company or where the credit of such customer has become impaired. For the purposes of requesting a deposit or other guarantee: (1) the credit of a customer is considered impaired if any bills rendered were not paid before the preparation of the customer's immediately succeeding month's bill; and (2) the credit of a customer is considered established if all bills rendered for the last twelve monthly billing periods were paid before the preparation of the customer's immediately succeeding months' bills or as to a New Customer, who provides the Company with a letter of reference from another utility or source acceptable to the Company.

The initial deposit required will be of an amount equal to two times the average monthly charge for the service for a 12-month service period. Such deposit is required as security for the payment of future and final bills and may be required to be paid before the Company will commence or continue to render service. All deposits shall bear such interest as is allowed by the Board, payable at the time that the deposit is refunded or applied to the customer's account

If a customer's service has been terminated for non-payment of bills, the Company may not condition restoration of service on payment of a deposit. Instead, the Company shall bill the customer for the deposit, and shall allow the customer at least 15 days after the billing for payment of the deposit, or shall make other reasonable payment arrangements with the customer.

GENERAL TERMS AND CONDITIONS
(Continued)

Retention by the Company, prior to final settlement of said deposit, is not a payment or part payment of any bill for service. The Company shall review an RSG customer's account at least once every year and a non-residential customer's account at least once every two years and if such review indicates that the customer has established credit satisfactory to the Company, then the outstanding deposit shall be refunded to the customer. The Company shall afford the customer the option of having the deposit refund applied to the customer's account in the form of a credit or of having the deposit refunded by separate check in a period not to exceed one billing cycle. Notwithstanding a residential customer's credit status, the Company shall credit all accrued interest at least once during each 12 month period, pursuant to N.J.A.C. 14:3-3.5.

The Company also reserves the right to apply a deposit against unpaid bills for service. If such action is taken, the customer will be required to restore the deposit to its original amount. On discontinuance of service, the Company reserves the right to apply said deposit against unpaid bills for service and only the remaining balance of the deposit will be refunded. The Company shall have a reasonable time in which to read the meter and to ascertain that the obligations of the customer have been fully performed before being required to return any deposit.

Deposits may be waived where the circumstances warrant such waiver.

2.5 **LIQUIDATION OF PRIOR DEBTS:** Service will not be supplied by the Company to former customers until such time as any and all indebtedness to the Company for previous service has been paid or otherwise discharged, or until such time as a reasonable deferred payment arrangement acceptable to the Company is established to liquidate such debt.

2.6 **MAIN EXTENSIONS AND SERVICE CONNECTIONS:** An Applicant may be required to make a payment (deposit or contribution in aid of construction) toward the cost of extending gas service to its facility as set forth in Sections 4 and 5 of these General Terms and Conditions.

2.7 **PERMITS AND CERTIFICATES:** The Company, where necessary, will make application for any permits necessary to extend its main and install service connections and shall not be required to furnish service until after such permits are granted. The Applicant may be required to pay the charge, if any, for said permits. The Company may require the Applicant to obtain on the Company's behalf, all necessary instruments providing for easements or rights of way and may require the Applicant to properly record or register such documents with the appropriate authorities. Also, the Company may require the Applicant to obtain permits, consents, and certificates necessary for the introduction of service.

When the Applicant is not the owner of the premises or of intervening property between the premises and the Company's mains, the Applicant may be required to obtain from the proper owner, or owners, the necessary consent to the installation and maintenance in such premises and in or about such intervening property of all necessary equipment for supplying gas.

GENERAL TERMS AND CONDITIONS
(Continued)

2.8 **INTERRUPTIBLE SALES AND TRANSPORTATION SERVICE**: The Company may require a customer who has transferred from a Firm Sales Service or Firm Transportation Service rate schedule to an Interruptible Transportation Service or Interruptible Sales Service Rate Schedule to make a deposit up to the cost of the facilities which the Company installed to provide service under the Firm Rate Schedule. The Company will refund one-half of all revenues received from the customer under the Interruptible Sales Service or Interruptible Transportation Service, less applicable taxes and Applicable Riders, for a period up to eight years. In no event shall more than the original deposit be returned to the customer nor shall any part of the deposit remaining after eight years from the date of the original deposit be returned. The making of a payment shall not give the customer any interest in the facilities, the ownership being vested exclusively in the Company.

3. **CHARACTERISTICS OF SERVICE**

3.1 **CONTINUITY OF SERVICE:** The Company will use reasonable diligence to provide a regular and uninterrupted supply of service, but should the supply be suspended, curtailed or discontinued by the Company for any of the reasons set forth in Section 9 of these General Terms and Conditions, or should the supply of service be interrupted, curtailed, deficient, defective or fail by reason of force majeure or otherwise, the Company shall not be liable for any loss or damage, direct or consequential, resulting from any such suspension, discontinuance, defect, interruption, curtailment, deficiency or failure.

3.2 **EMERGENCIES:** The Company may curtail or interrupt service to any customer or customers, irrespective of rate schedule under which said service is received, in the event of an emergency threatening the integrity of its system if, in its sole judgment, such action will prevent or ameliorate the emergency condition.

3.3 **LIMITATIONS:** The Company reserves the right to place limitations on the amount and character of gas service it will supply; to refuse service to New Customers or to existing customers for additional load if unable to obtain sufficient supply for such service; to reject applications for service or additional service where such service is not available or where such service might affect the supply of gas to other customers or for other good and sufficient reasons.

The Company reserves the right to curtail or discontinue the supply of gas service to the customer in the event of force majeure.

3.4 **NO STANDBY:** Service shall not be provided for standby uses under any rate schedule.

4. **EXTENSIONS OF MAINS AND SERVICES.**

4.1 **INCORPORATION OF N.J.A.C. 14:3-8.1, *et seq.*:** Except where otherwise noted in this Tariff, the provisions and definitions within N.J.A.C. 14:3-8.1, *et seq.*, shall be applicable.

4.2 **GENERAL:** The construction of main extensions will be subject to the regulations at N.J.A.C. 14:3-8.1, ~~-~~*et seq.* The Company may construct and will own, and maintain distribution mains located on streets, highways, and right of way, used or usable as a part of its distribution system. The making of a deposit or contribution by the customer, shall not give the customer any interest in the facilities, the ownership being vested exclusively in the Company.

GENERAL TERMS AND CONDITIONS
(Continued)

4.3 **EXTENSIONS REQUESTED BY INDIVIDUAL CUSTOMERS**

4.3.1. **RESIDENTIAL:** The Company will extend its gas mains and services to serve an individual residential customer at no charge where the Extension Cost does not exceed ten (10) times the annual Distribution Revenue at the BUC for the customer's respective Conservation Incentive Program (CIP) Customer Class Group as set forth in Rider "M" to this tariff. The Company may require a deposit equal to the Extension Costs in excess of ten (10) times the annual Distribution Revenue at the BUC for the customer's respective Customer Class Group and shall include any tax consequences to the Company.

4.3.2 **NON-RESIDENTIAL:** The Company will extend its gas mains and services to an individual firm commercial or industrial customer and may require a deposit equal to the Extension Costs, increased by any tax consequences to the Company. In lieu of a deposit for Extension Costs, the Company and the Customer may agree upon a satisfactory revenue guarantee.

4.4. **EXTENSION OF SERVICE TO MULTI-UNIT RESIDENTIAL AND NON-RESIDENTIAL DEVELOPMENT**

4.4.1. ALL MULTI-UNIT CUSTOMERS: The Company may require a deposit for an Extension subject to this Section, in an amount no greater than the Extension Cost required to serve the development. The deposit shall be increased by any tax consequences to the Company.

5. **SERVICE CONNECTIONS**

5.1 **GENERAL:** If the Company accepts an application for an Extension, the Company may furnish and place, at no cost to the Applicant, up to 200 feet of Normal Residential Service Connection, measured at right angles from the nearest curb line to the Applicant's building, at the point of service entrance designated by the Company. Meters and regulators will be furnished and installed by the Company. The costs of meters and regulators (including the installation) may be waived by the Company.

The Applicant shall consult the Company as to the exact point at which the service pipe will enter the building before installing interior gas piping or starting any other work dependent upon the location of the service pipe. The Company will determine the location of the service pipe depending upon physical constraints in the street and other practical considerations.

Gas service will be supplied to a Applicant 's premises through a single service pipe except where, in the judgment of the Company, its economic considerations; conditions on its distribution system; improvement of service conditions; or volume of the customer's requirements, make it desirable to the Company to install more than one service pipe.

5.2 **CHANGE IN EXISTING INSTALLATIONS:** Change in the location of existing service pipe and/or metering facilities requested by the customer or Applicant must be approved by the Company and shall be made at the expense of the customer or Applicant.

GENERAL TERMS AND CONDITIONS
(Continued)

6. METERING AND MEASURING EQUIPMENT

6.1 **GENERAL:** Company may, at its discretion, install and maintain a single meter or measuring device for service upon each rate schedule under which the customer receives service. Whenever possible, the meter shall be located outside. If the meter cannot be located outside, the meter maybe be set so it can be read from outside the building, by a remote meter reading device.

When requested by a customer, remote meter reading equipment which transmits the reading on a meter to a repeating register located on the outside of a building, shall be installed, if feasible. However, the Company must be permitted access to the interior meter at all reasonable times. The cost of installation may be borne by the customer. The payment shall not give the customer any interest in the installed equipment, the ownership being vested exclusively in the Company.

If permitted under the applicable rate schedule, the Company may install an electronic data collection system for use in conjunction with the metering of service, and may assess the customer for the cost of said data collection system and the installation thereof. If the Company so elects, the customer shall arrange for or provide, at no cost to the Company, adequate electrical service for the data collection system, a location for the data collection system acceptable to the Company, and a dedicated means of telemetry (telephone, cellular, etc.) for use in connection with the data collection system. The customer shall be responsible for monthly telemetric data charges (telephone, cellular, etc.) for use in connection with the data collection system when electronic data collection is required by the Company.

The Company's equipment shall be replaced whenever deemed necessary and may be removed by the Company at any reasonable time after the discontinuance of service.

The Company will select the type and make of metering equipment and may, from time to time, change or alter such equipment; its sole obligation is to supply meters that will accurately and adequately furnish records for billing purposes.

6.2 **CUSTOMER'S RESPONSIBILITY:** Customer shall furnish and maintain a suitable space for the meter and associated equipment. Such space shall be as near as practicable to the point of service entrance and which shall be adequately ventilated, dry and free of corrosive vapors, not subject to extreme temperatures and shall be readily accessible to employees of the Company. Customer shall not tamper with or remove meters or other equipment, nor permit access thereto except by the Company’s authorized employees. In case of loss or damage to the Company's property from the act or negligence of the customer or his agents or servants, or of failure to return equipment supplied by the Company, customer shall pay to the Company the amount of such loss or damage to the property.

A charge may be made for excessive maintenance caused by vandalism and/or repeated damages.

6.3 **ACCESS TO CUSTOMER'S PREMISES:** The Company, or duly authorized government employees, shall have the right of reasonable access to customer's premises, and to all property furnished by the Company, at all reasonable times for the purpose of inspection of customer's premises incident to the rendering of service, reading meters or inspecting, testing, or repairing its facilities used in connection with supplying the service, or for the removal of its property.

GENERAL TERMS AND CONDITONS
(Continued)

6.4 **AUTHORIZATION TO TURN ON GAS:** Only duly authorized employees or agents of the Company shall be permitted to turn on gas into any new system, or into any old system, of piping from which the use of gas service has been discontinued. This pertains to both Company facilities, such as mains and services, and customer house lines.

6.5 **SUBMETERING:** Submetering is the practice in which a customer buys gas pursuant to the Company's rate schedules and resells it through some metering device at a profit. Submetering is specifically prohibited.

6.6 **CHECK METERING**

6.6.1 **GENERAL:** Check metering is the practice in which a customer, through the use of a gas check meter, monitors or evaluates his own consumption or the consumption of a tenant for accounting or conservation purposes.

Check meters are equipment for the measurement of volumes of gas consumption. Check meter may be utilized by a customer to resell gas. If the customer charges the tenant for the usage incurred by the tenant, reasonable administrative expenses may be included, which charges shall not exceed the amount the Company would have charged such tenant if the tenant had been served and billed by the Company directly.

Check metering, as defined above, is permitted in new or existing buildings or premises where the basic characteristic of use is industrial or commercial. Check metering is not permitted in new or existing buildings or premises where the basic characteristic of use is residential except for condominiums or cooperative housing, or where such buildings or premises are publicly financed or government owned or are eleemosynary in nature.

If a customer is permitted to utilize check metering, then all gas consuming devices within any dwelling unit at customer's location must be metered through a single check meter.

6.6.2 **INSTALLATION OF CHECK METERING EQUIPMENT:** The customer acting jointly with the Company may install, maintain and operate, at customer's expense, such check metering equipment as desired, provided that such equipment shall be so installed as not to interfere with the operations of Company's measuring equipment at or near the point of delivery.

6.6.3 **CUSTOMER'S RESPONSIBILITY:** Prior to installing any check metering equipment a customer is required to contact the Company, so that the Company may determine whether a proposed check metering installation may result in a pressure drop to the customer's premises. If the Company believes it necessary for such a determination, the Company may require the customer to submit detailed plans and specifications related to the proposed installation. If the Company believes that a significant pressure drop may occur, the Company will reject the proposed installation.

GENERAL TERMS AND CONDITONS
(Continued)

6.6.4 **HOLD HARMLESS:** The ownership of all check metering devices is that of the customer, and customer shall be responsible for all incidents in connection with said ownership, including accuracy of the equipment, meter reading and billing, liability arising from the presence, installation and operation of the equipment and the maintenance and repair of the equipment. Any additional costs which may result from and are attributable to the presence, installation and operation of check metering shall be borne by the customer.

This hold harmless provision shall include, but not be limited to, claims for damages caused by an unsafe presence, installation or operation of said device by the customer, claims of improper invoicing by the customer, attorney's fees and related costs.

6.7 **RESERVED FOR FUTURE USE.**

6.8 **INSTALLATION OF MEASURING EQUIPMENT:** All installations of measuring equipment applying to or affecting deliveries hereunder shall be made in such manner as to permit an accurate determination of the quantity of gas delivered and ready verification of the accuracy of measurement. Care should be exercised by customer in the installation, maintenance, and operation of pressure regulating equipment so as to prevent any inaccuracy in the determination of the volume of gas delivered hereunder.

6.9 **ADJUSTMENT AND MAINTENANCE OF MEASURING EQUIPMENT:** Each party shall have the right to be present at the time of installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with measuring equipment involved in billing and used in measuring or checking the measurement of deliveries hereunder. The records from such measuring equipment shall remain the property of their owner, but upon request, each will submit to the other its records and charts, together with calculations therefrom for inspection and verification, subject to return within ten (10) days after the receipt thereof.

6.10 **TEST OF METERING AND MEASURING EQUIPMENT:** The accuracy of Company's meters and measuring equipment shall be verified by Company at reasonable intervals, and, if requested, in the presence of representatives of customer. In the event that the customer requests a special test of any equipment, the parties shall cooperate to secure a prompt verification of the accuracy of such equipment. The expense of such special tests shall be borne by customer if the request for such tests is made more frequently than once every 12 months.

6.11 **TEST AND ADJUSTMENT OF METERING AND MEASURING EQUIPMENT:** If, upon testing, any metering or measuring equipment, including recording calorimeter, is found to be in error of not more than two percent (2%), previous recordings of such equipment shall be considered accurate in computing deliveries hereunder, but such equipment shall be adjusted to record correctly. If, upon test, any metering or measuring equipment shall be found to be inaccurate by an amount of two percent (2%) or more fast or slow, the equipment shall be adjusted to record correctly, and the volume of gas delivered hereunder may be corrected to zero error.

6.11.1 **BILLING ADJUSTMENT:** If, upon test, any metering or measuring equipment is found to be two percent (2%) or more fast, a billing adjustment will be made to the customer's account in the following manner: (1) If the date when the

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meter had first become inaccurate can be definitely ascertained, then the adjustment shall be such percentage as the meter is found to be in error at the time of test adjustment to 100 percent on the amount of the bills covering the entire period that the meter registered inaccurately. (2) In all other cases the adjustment shall be such percentage as the meter is found to be in error at the time of test on one-half of the total amount of the billing affected by the fast meter adjusted to 100 percent since the previous test, but not to exceed a period of 6 years for meters subject to testing by an approved scientific sampling technique. (3) No adjustment shall be made for a meter that is found to be registering less than 100 percent except in the case of meter tampering, nonregistering meters or in circumstances in which the customer should reasonably have known that his bill did not reflect customer usage.

6.12 **TAMPERING:** In the event it is established that the Company's services, meters, regulators, or other equipment on the customer's premises have been tampered with, the responsible party shall be required to bear all of the costs incurred by the Company including, but not limited to, the following: (a) investigations, (b) inspections, (c) cost of criminal prosecution or civil litigation, (d) legal fees, and (e) installation of any protective equipment deemed necessary by the Company. The responsible party shall be the party who either tampered with or caused the tampering with a meter or other equipment or knowingly received the benefit of tampering caused by another.

Furthermore, when tampering with the Company's or customer's facilities results in incorrect measurement or the omission of measurement of the service supplied, the customer shall pay for such service, as the Company may estimate from available information, to have been used.

6.12.1 **DIVERSION OF SERVICE:** When tampering is identified as affecting a tenant-customer's consumption, as a result of service being used by a beneficiary other than the tenant-customer of record without his or her knowledge or cooperation, then the Board's regulation pursuant to N.J.A.C. 14:3-7.8 shall apply. A tenant-customer is considered to be the residential customer of record, who rents a dwelling unit in a multi-family building or owns a condominium. The beneficiary is considered to be the person, corporation or other entity financially benefiting from tampering resulting in a diversion of service.

6.13 **SEALS AND LOCKS:** The Company shall seal and may lock all meters or enclosures containing meters and associated metering equipment. No person except a duly authorized employee of the Company shall break or remove a Company seal or lock.

6.14 **PRIORITY OF BILLING:** As between gas purchased or delivered on any firm rate schedule and gas purchased or transported on any interruptible rate schedule, the firm gas will be first through the meter. As between any gas transported on Rate Schedule ITS or delivered under Rider “D” of this Tariff, on the one hand, and, gas purchased under any rate schedule, on the other, the transported or delivered gas will be first through the meter.

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7. **CUSTOMER'S INSTALLATION**

7.1 **GENERAL:** The customer is responsible for protecting and maintaining the Company's facilities on the customer's premises.

No material change in the size, total capacity, or method of operation of customer's equipment shall be made without previous written notice to the Company.

The Company gives no warranty, expressed or implied, as to the adequacy, safety, or other characteristics of any structure, equipment, wires, pipes, appliances or devices used by the customer.

7.2 **PIPING AND EQUIPMENT:** All gas equipment shall have the approval of the duly constituted authorities having jurisdiction. All gas piping and equipment shall be installed and maintained by the customer in conformance with the Company's rules and regulations available in booklet form on request, and in conformance with all lawful requirements of municipal or other properly constituted public authorities.

7.3 **ADEQUACY AND SAFETY OF CUSTOMER'S INSTALLATION:** The Company shall not be required to supply gas service until the customer's installation shall have been approved by the authorities having jurisdiction. The Company further reserves the right to withhold its service, or to discontinue its service, whenever such installation or part thereof is deemed by the Company to be unsafe, inadequate, or unsuitable for receiving service, or to interfere with or impair the continuity or quality of service to the customer or to others. In all cases, no final connection between the Company's equipment and the Customer's installation shall be made without final inspection from the Department of Community Affairs or its designee.

Customer's appliances, piping and installation shall be made and maintained in accordance with the specifications set forth in the Fuel Gas Subcode of the Uniform Construction Code and such other regulations as may be determined from time to time by any governmental agency having jurisdiction over customer's installation.

7.4 **BACK PRESSURE AND SUCTION:** When the nature of the customer's gas equipment is such that it may cause back pressure or suction in the piping system, meters, or other associated equipment of the Company, suitable protective devices, subject to approval by the Company, shall be furnished, installed, and maintained by the customer.

7.5 **MAINTENANCE OF CUSTOMER'S INSTALLATION:** Customer's entire installation shall be maintained by the customer in the condition required by the municipal or other public authorities having jurisdiction and by the Company.

7.6 **COMPANY INSPECTION:** The Company reserves the right to inspect the customer's premises from time to time to ensure compliance with the General Terms and Conditions and the applicable rate schedule of this Tariff.

7.7 **LEAKAGE:** Customer shall immediately give notice to the Company at its office of any escape of gas in or about the customer's premises.

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7.8 **CUSTOMER RELEASE OR INDEMNITY:** Customer releases and shall indemnify and save harmless the Company from all loss, cost, expense, or liability for personal injuries or loss of life, or for damages, direct or consequential, which may arise out of, or result from, the use of gas service on customer's premises, or from the presence upon such premises, of any of the equipment of the Company, except for general or direct damages that follow from the Company's negligence, recklessness, or willful misconduct.

8. **METER READING AND BILLING**

8.1 **EVIDENCE OF CONSUMPTION:** The quantity of gas measured by the Company's meter shall be final and conclusive for billing purposes, unless adjustment thereof is appropriate pursuant to these General Terms and Conditions and N.J.A.C 14:3-4.5.

8.2 **DETERMINATION OF GAS VOLUMES DELIVERED:** The volume of gas delivered in the billing period is the consumption recorded on standard metering devices.

Where applicable, these volumes will be converted for any or all of the following conditions:

(1) The temperature of the gas passing the meters described herein shall be determined by means of a continuously indicating meter of standard manufacture so installed that it may properly indicate the temperature of gas flowing through the meter or meters. The arithmetic average of the twenty-four (24) hour record, or of so much of the twenty-four (24) hours as gas has been passing if gas had not been passing during the entire period, from the indicating thermometer, shall be deemed to be the gas temperature for the day and shall be used in computing gas volume.

(2) The specific gravity of gas shall be determined for any one day by the use of the continuous recording gravitometer used by Company's Supplier to determine the specific gravity of gas delivered to Company. The arithmetic average of the specific gravity recorded each day shall be used in computing the volumes of gas delivered. During such time or times as the said gravitometer shall not be in service, the specific gravity of the gas delivered shall be determined by the use of an approved specific gravity balance with such reasonable frequency as is found expedient in practice, but not less frequently than once each month.

(3) The unit of volume for the purpose of measurement as referred to herein shall be one (1) cubic foot of gas at a temperature of 60 degrees Fahrenheit and at an absolute atmospheric pressure of fourteen and seventy-three hundredths (14.73) pounds per square inch. The average absolute atmospheric pressure shall be assumed to be fourteen and seventy-three hundredths (14.73) pounds per square inch, irrespective of actual elevation of location of the point of delivery above sea level of variations in such atmospheric pressure from time to time.

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(4) The deviation of the natural gas from Boyle's Law as described hereunder, shall be determined by periodic tests. The apparatus and the method to be used in making such tests shall be in accordance with the recommendations of the National Bureau of Standards of the Department of Commerce, or of the U.S. Bureau of Mines of the Department of the Interior, or any other method or methods mutually agreed upon. The results of such tests shall be used in computing the volume of gas delivered hereunder.

8.3 **DETERMINATION OF BILLING UNIT:** The billing unit of the gas deliverable hereunder shall be therms, and the number of therms delivered shall be determined by multiplying the number of cubic feet of gas delivered by the therm factor.

8.4 **DETERMINATION OF THERM FACTOR:** The average total therm factor of the gas per cubic foot referred to herein shall be determined by means of Company's recording calorimeter and corrected for a water vapor free basis. The arithmetic average of the twenty-four (24) hour period, or so much of the twenty-four (24) hours as gas has been passing if gas has not been passed during the entire period, from the recording calorimeter, shall be deemed to be the total therm factor of the gas for that day.

The billing month's therm factor is the month's average of daily therm factors, computed at the end of the preceding billing month.

8.5 **TURN ON READING:** Any customer initiating the use of gas in violation of these General Terms and Conditions without making application for service and enabling the Company to read the meter, will be held liable for service supplied to the premises from the last meter reading immediately preceding customer's occupancy, as shown by the records of the Company.

8.6 **FINAL READING:** A customer requesting to discontinue service must give adequate notice as provided for in the applicable rate schedule in order to allow the Company to secure a final reading during normal business hours. Where such notice is not received by the Company, customer shall be liable for service until final reading of the meter is taken. Notice to discontinue service will not relieve a customer from any contractual obligations, including any minimum or guaranteed payment under any contract or rate schedule.

8.7 **METER READING:** Meters will be read on a monthly basis.

8.8 **COMBINED BILLING:** Where service through more than one meter to a single customer on a given rate is permitted by the Company, the use determined by the individual meters will be combined for billing purposes.

8.9 **ESTIMATED BILLS:** When the Company is unable to read the meter, Company may estimate the amount of gas supplied and submit an estimated bill, so marked. Adjustment of such estimated use to actual use will be made when an actual meter reading is obtained.

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8.10 **BILLING PERIOD:** Bills for service furnished will be normally rendered monthly and shall be due and payable within fifteen (15) days of the mailing date.

8.11 **PRORATION OF BILLS:** When the billing month is greater or less than thirty (30) days, customer bills will be computed by prorating the Applicable rates in all rate schedules and customer charges in Rate Schedules RSG, GSG, GSG-LV, and EGS on the basis of the relationship between the number of days covered by the billing period and thirty (30) days, except as provided for in a specific rate schedule.

8.12 **EQUAL PAYMENT PLAN:** The Company will provide to customers, on request, an equal payment plan in conformity with N.J.A.C. 14:3-7.5. Further, there shall be at least one comparison of actual bills, based on meter readings to the monthly budget amount, and if this comparison reveals an increase or decrease of 25 percent or more of the monthly budget amount, the monthly budget amount will be adjusted upwards or downwards, as the case may be, for the balance of the budget plan year.

The Company will give the customer a written notice of the revised budget figure at least 10 working days before the due date of the initial bill of the next budget plan year.

8.13 **BILLING ADJUSTMENTS:** Except as provided in Sections 6.11 and 6.12 of these General Terms and Conditions, when for any reason a meter fails to register the full use of gas, or fails to register within the limits of accuracy prescribed by the Board, customer's use of gas will be estimated by Company on the basis of available data and charges will be adjusted accordingly. The maximum time to pay for the charge will be equal to the length of time that the meter failed to register.

9. **CAUSES FOR DISCONTINUANCE OF SERVICE**

9.1 **BY THE COMPANY:** Company shall have the right to suspend or discontinue its service for any of the following reasons:

(1) To make repairs, changes, or improvements to any part of its system;

(2) For compliance in good faith with any governmental order or directive; whether Federal, State, municipal, or otherwise, notwithstanding such order or directive subsequently may be held to be invalid;

(3) Non-payment of any bill for service furnished at the present or a previous location, or place of business; However, non-payment for business service shall not be a reason for discontinuance of customer's residential service except in cases of diversion of service pursuant to N.J.A.C. 14:3-7.8;

(4) Tampering with any pipe, meter, or other facility of the Company;

(5) Fraudulent representation in relation to use of gas service;

(6) Failure of the customer to comply with any of these General Terms and Conditions;

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(7) Delivering gas service to others without the Company's approval, except as permitted under Section 6.6 CHECK METERING.

(8) Failure to make or increase an advance payment or deposit when requested by the Company, provided that the customer had advance notice of the request for said advance payment of deposit;

(9) Refusal to contract for service;

(10) If in the judgment of the Company, customer's installation has become dangerous or defective;

(11) If customer's equipment or use thereof injuriously affects the quality of Company's service to other customers;

(12) Unauthorized increases in the size or total capacity of customer's equipment;

(13) In the event Company is prevented access to its meter or other service facilities, or in the event access thereto is obstructed or hazardous, or for other violation of Company's rules and regulations;

(14) Refusal of a customer receiving interruptible service, to discontinue the use of gas after proper notification;

9.2 **NON-WAIVERS:** Should gas service be terminated for any of the above reasons, such termination shall not be deemed a waiver of any other remedy available to the Company. Failure of the Company to exercise its right to terminate, or any other right, shall not be deemed a waiver of such right.

9.3 **RESTORATION OF SERVICE:** The Company shall restore service upon a proper application by a customer when the conditions under which service was discontinued are corrected, and upon the payment of all proper charges due from the customer provided for in this Tariff, or if the Board so directs when a complaint involving such matter is pending before the Board.

10. **MISCELLANEOUS SERVICE CHARGES**

10.1 **TURN ON CHARGE:** A turn on charge of $20.00 may be made for each activation of service whether for initial service (by meter turn-on or meter reading in the case of a service transfer) or reactivation of service where Company personnel are required to travel to the service location.

10.2 **RETURNED BANK ITEM:** A charge of $19.00 may be made to reimburse the Company for the expense of processing items returned by the bank as uncollectible on customer's account.

10.3 **TRANSFER OF SERVICE CHARGE:** A charge of $7.00 may be made to transfer service between customers when the customer calls in a meter reading to the Company or exercises other

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alternatives offered to the customer by the Company to transfer service when no Company personnel are required to travel to the service location.

10.4 **FIELD COLLECTION FEE:** A charge of $12.00 may be made for each visit Company personnel make to a customer's location in an effort to collect overdue payments.

10.5 **APPLICATION FEE:** The Company may charge customers $15.00 to process applications for service which require the installation of a new Service Connection.

10.6 **TRANSPORTATION INITIATION FEE:** Except for customers receiving Firm Transportation Service under Rate Schedule RSG, and customers receiving Firm Transportation Service under Rate Schedule GSG, and consuming on average less than 3,000 Dts per year, the Company may charge customers $50.00 to initiate transportation of gas for the customer’s account under any Rate Schedule or Rider in this Tariff, or may charge $50.00 if a customer changes its Aggregator/Marketer.

10.7 **ADJUSTMENT AND REPAIR OF APPLIANCES:** Company will provide free service as follows:
Meter turn off
Appliance light up at time of meter turn on
Original adjustment on appliances
Normal pilot adjustment or cleaning (except during September and October)
Normal adjustment of gas burners (except during September and October)
Investigation for gas leaks and other safety related calls

Other services are provided at a charge.

11. **CONDITIONS UNDER WHICH RATE DISCOUNTS SHALL BE CONSIDERED**
The following General Terms and Conditions are applicable to all customers seeking a rate discount, including EGS-LV and FES customers.

11.1 **CUSTOMERS WITH THE ABILITY TO BYPASS**
Customers requesting a discounted rate due to the ability to bypass the Company’s facilities need to supply the following minimum requirements; (i) a statement from the interstate pipeline that the proposed interconnection is operationally viable, that sufficient capacity is available and the pipeline would serve the party if requested; (ii) maps or flow diagrams identifing the route of the pipeline from the interconnection with the pipeline and the customer’s site, the size of the connecting pipeline and any other appurtenant facilities required; (iii) engineering studies related to the estimated costs to complete construction; and (iv) status of all reliability and environmental permits from State and Federal agencies. Any individually negotiated rates agreed to pursuant to this tariff provision are subject to prior approval by the New Jersey Board of Public Utilities.

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11.2 **CUSTOMERS WITH CIRCUMSTANCES OTHER THAN THE ABILITY TO PHYSICALLY BYPASS**
Customers may request a discounted rate for reasons other than physical bypass of the Company's facilities. In this situation, the application for such discounted rates submitted to the Board of Public Utilities shall explain the reasons for the request and provide ample support for the request, including but not limited to whether the discounted rate is in the public interest, how the discounted rate would spur economic development, and/or how the discounted rate would benefit the Company's ratepayers. Any individually negotiated rates agreed to pursuant to this tariff provision are subject to prior approval by the New Jersey Board of Public Utilities.

12. **DEFINITIONS**

"AGGREGATOR/MARKETER" is used herein to mean a business entity transacting business as an Aggregator of gas or as a Marketer of gas.

"**AFFILIATE**" is used herein to mean an entity controlled by or under common control with the entity with which it is affiliated.

"ALTERNATE FUEL CAPABILITY" is used herein to mean situations where an alternate fuel is installed and can be utilized in customer's equipment: provided, however, where the use of natural gas is for plant protection, feedstock, or process uses and the only alternate fuel is propane or other gaseous fuel, then the customer will be treated as having no Alternate Fuel Capability.

"APPLICANT FOR AN EXTENSION" is used herein to mean a person or entity that has applied to the Company for construction of an Extension, hereinafter referred to as Applicant.

"BASE PERIOD BILLING" is used herein to mean the number of therms billed to a customer at the qualifying existing facility during the corresponding billing month of the twelve months immediately preceding the billing month to which the customer first applied for service.

"BASIC GAS SUPPLY SERVICE" is used herein to mean gas supply service that is provided to any customer that has not chosen an alternative gas supplier, whether or not the customer has received offers as to competitive supply options, including, but not limited to, any customer than can not obtain service from an alternative supplier for any reason, including non-payment for services. It is the gas supply component in certain Rate Schedules for Firm Sales Service customers.

"BILLING MONTH" is used herein to designate a period which begins with the first cycle in any month and ends with the last cycle.

"BOARD" is used herein to designate the New Jersey Board of Public Utilities, its predecessors or successors.

"BRITISH THERMAL UNIT" is used herein to designate the amount of heat required to raise the temperature of one (1) pound of water one (1) degree Fahrenheit at sixty (60) degrees Fahrenheit.

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“CITY GATE STATION” is used herein to mean a location at which Company receives gas from a pipeline company.

“COGENERATION” is used herein to mean the process by which natural gas is burned in equipment to generate electricity and recover the by-product heat from the generation process for use in industrial processes or space heating or both.

“COMMERCIAL CUSTOMER” is used herein to be a customer, whose facility at which service is received hereunder is engaged primarily in providing a service or the sale of goods or services. This would include, but not be limited to, wholesale or retail trade, local, state and federal government agencies, agriculture, warehouses, schools, forestry, transportation, communication, sanitary services, finance, insurance, clubs, hotels, and service to three or more dwelling units through a single meter. A customer who is neither Industrial nor Residential is a Commercial Customer.

“COMPANY” as referred to herein is used to designate South Jersey Gas Company which furnishes gas service under these General Terms and Conditions.

“COSTS APPLICABLE” is used herein to mean any and all costs per therm involved in acquiring the gas sold under an applicable rate schedule. Provided, however, that "Costs Applicable" shall not include demand charges paid by the Company for gas sold under said rate schedule. As used herein, "Costs Applicable" shall include but not be limited to, costs of acquisition of gas; costs of transportation of gas; costs of storage of gas; costs of compression; interstate pipeline loss and compressor fuel; line loss on the Company's system; and Taxes.

“CUSTOMER” is used herein to designate any person, firm, organization, partnership or corporation applying for or using gas service supplied by the Company at one specific location.

“CUSTOMER GROUP” is used herein to mean a group of customers served under a single rate schedule by a single Aggregator/Marketer.

“CYCLE” is used herein to designate a geographical grouping of customers each having the same meter reading and billing schedules.

“DAY” is used herein to designate a period of twenty-four (24) consecutive hours beginning at 10:00 a.m.

“DAILY PRICE SURVEY” is used herein to mean a column published in the publication “Platts Gas Daily”, published by The McGraw Hill Companies. Should the “Transco, zone 6 non-N.Y.” prices no longer be available in the “Daily price survey” for an reason, the Company may substitute a substantially equivalent index or calculation.

“DISTRIBUTION MAINS” is used herein to designate the network of distribution piping to which customer's service connections are made.

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"DISTRIBUTION REVENUE" is used herein to mean total revenue plus related Sales and Use Tax, collected by the Company from a customer, minus the Basic Gas Supply Service charges, plus related Sales and Use Tax on the Basic Gas Supply Service, assessed in accordance with the Company's tariff.

"DOMESTIC PURPOSES" is used herein to mean such uses of gas as are typical of a household. Such purposes include, but are not limited to cooking, water heating, clothes drying, house heating, and air conditioning.

"DWELLING UNIT" is used herein to mean apartments, flats or rooming or boarding house bedrooms.

~~**"ELECTRONIC BULLETIN BOARD" or "EBB"** shall mean the Company's electronic bulletin board, or successor electronic medium.~~

"EXISTING FACILITY" is used herein to mean a facility at which the Company is currently supplying or has previously supplied service under an applicable rate schedule at some time during the preceding twelve (12) months.

"EXTENSION" is used herein to mean the construction or installation of plant by the Company to convey a regulated service from existing or new plant to one or more new Customers, and also means the plant itself. This term includes all plant for transmission or distribution, whether located on a public street or right of way, or on a private property or private right of way, including the pipe used to convey regulated service from existing plant to each unit or structure to be served. An Extension begins at the existing infrastructure and ends at the meter and includes the meter.

"EXTENSION COST" is used herein to mean expenses incurred, calculated by using unitized costs for material and labor (internal and external) employed in the design, purchase, construction, and/or installation of the Extension, including overhead directly attributable to the work.

"FACILITY" is used herein to means all buildings and equipment located at the same geographic site which are commonly considered to be part of one plant, mill, refinery, or other industrial complex.

"FIRM" as used herein refers to a character of service offered to customers under applicable rate schedules or contracts which anticipate no interruption, except in the event of an emergency.

"FIRST GAS THROUGH THE METER" is used herein to establish a billing priority among rate schedules. When a customer purchases, transports, or secures delivery of gas on more than one rate schedule on a given day, the Company must, for billing purposes, apportion gas purchased to the rate schedules. In a case in which a particular rate schedule is deemed first through the meter, all of a customer's obligations under that rate schedule must be met, for billing purposes, before gas is billed pursuant to any other rate schedule.

"FORCE MAJEURE" as employed herein shall mean Acts of God, strikes, lockouts, or other labor disturbances, acts of the public enemy, acts in the public interest, wars, blockades, insurrection, riots, epidemics, landslides, lightning, earthquakes, fires hurricanes, storms floods, washouts, arrests, the order of any court or government authority having jurisdiction while the same is in effect, civil disturbances, explosions, breakage, accidents to machinery, or lines of pipe, freezing of wells or lines of pipe, temporary failure of gas supply, inability to obtain or unavoidable delay in obtaining necessary gas supplies or material and equipment, and any other cause whether of the kind herein enumerated or otherwise beyond the control of the party claiming suspension.

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"GAS ACQUISITION COSTS" is used herein to mean Costs Applicable less Taxes.

"INDIVIDUALLY METERED SERVICE" is used herein to mean service through a single meter for two or less dwelling units within a single building and appurtenant outbuildings.

"INDUSTRIAL CUSTOMER" is used herein to be a customer, whose facility at which service is received hereunder is engaged primarily in the processing or changing of raw or unfinished materials into another form or product. Sand and thermal energy plants are included within this term.

"INTERRUPTIBLE" as used herein refers to a character of service under applicable rate schedules or contracts which anticipate and permit interruption on three (3) hours, notice.

"INTERRUPTIBLE MARGIN" is used herein to mean net income from Rate Schedules ITS, LMS-LV, LMS-GS and IGS multiplied by a factor to reflect Revenue Taxes and Federal Income Taxes.

"INTERRUPTIBLE USES OF GAS" is used herein to mean uses which are subject to termination on notice by the Company as provided in the applicable rate schedule, and for which the customer has, or is capable of having, an alternate fuel capability.

"MAJOR GROUP" is used herein to mean the first two digits of the Federal North American Industry Classification System (NAICS) code, as defined for the Applicant at the time service is initiated.

"MCF" is used herein to designate one thousand (1,000) cubic feet of gas.

"MONTH" is used herein to designate the period between any two consecutive regularly scheduled meter readings for billing purposes.

"NEW FACILITY" is used herein to mean a newly constructed facility or a facility at which the Company is not currently supplying and has not supplied service under an applicable rate schedule during the preceding twelve (12) months.

"**NORMAL RESIDENTIAL SERVICE CONNECTION"** as used herein shall mean the least expensive, feasible service connection as determined by the Company.

"OPERATING CONDITIONS" is used herein to describe lack of sufficient gas supplies at the customer's location, lack of sufficient pressure at the customer's location, or similar operating conditions which will render the Company unable to offer service at a given level requested by the customer for a 12 month period.

"OUT-OF-POCKET EXPENSES" is used herein to mean any additional costs incurred by the Company relating to the initiation and rendering of service to a specific customer; such expense shall include, but not be limited to legal expense and travel expense.

"PRICE TO COMPARE" is used herein to mean for any Rate Schedule, the difference between the total charges to be paid by a Firm Sales Service customer under that Rate Schedule, and the total charges to be paid by a Firm Transportation Service customer under that same Rate Schedule.

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“PRIME MOVER” is used herein to mean the engine, turbine, water wheel, or similar machine that drives an electric generator; or a device that converts energy to electricity directly (e.g., photovoltaic solar and fuel cells).

“RESIDENCE” is used herein to mean a location at which Residential gas consumption occurs.

“RESIDENTIAL” is used herein to mean Individually metered Service for Domestic Purposes. Provided, however, that if a customer receives individually metered service for both domestic and non-domestic purposes said service shall be deemed Commercial or Industrial, as is appropriate, if fifty (50) percent or more of gas volume consumption during any month is for other than domestic purposes.

“REVENUE TAXES” is used herein to mean all taxes applicable to revenues from the sale of natural gas. Revenue Taxes shall include, but not be limited to, New Jersey Sales and Use Tax, New Jersey Corporation Business Tax and Public Utility Assessment Taxes.

“SALES SERVICE” as used herein refers to a character of service offered to customers under applicable rate schedules or contracts pursuant to which the Company offers to sell the natural gas commodity.

“SERVICE CONNECTIONS” is used herein to designate the pipe which carries gas from the distribution or transmission main to the customer's meter.

“STANDBY USES” is used herein to mean the provision of gas service for use in an appliance or device for which gas supplied by the Company is not the primary fuel.

“SUMMER SEASON” is used herein to designate the period from April 1 through October 31 of each year.

“TAXES” is used herein to mean all taxes applicable to the sale of natural gas. "Taxes" shall include, but not be limited to, Gross Receipts and Franchise Taxes; Federal Income Taxes; and Public Utility Assessment Taxes.

“THERM” is used herein to designate a unit of heating value equivalent to 100,000 Btu (British Thermal Units).

“TOTAL HEATING VALUE” is used herein to designate the number of British Thermal Units produced by the combustion in a recording calorimeter or chromograph, at constant pressure, of the amount of gas which would occupy a volume of one (1) cubic foot at a temperature of 60 degrees Fahrenheit if saturated with water vapor, and under an assumed absolute atmospheric pressure of 14.73 pounds per square inch with air of the same temperature and pressure as the gas when the products of combustion are cooled to the initial temperature of gas and air, and when the water formed by combustion is condensed to liquid state, corrected for a water vapor free basis.

“TRANSPORTATION SERVICE” as used herein refers to a character of service offered to customers under applicable rate schedules or contracts pursuant to which the Company offers to transport and deliver to a customer’s facility or residence the natural gas commodity as to which the customer holds clear and marketable title.

“WINTER SEASON” is used herein to designate the period from November 1 through March 31 of each year.

“YEAR” is used herein to designate a period of twelve consecutive “months”.

STANDARD GAS SERVICE AGREEMENT (GS)

This Agreement entered into this_____________day of _________________ , 20 , by and between South Jersey Gas Company, a New Jersey Corporation, hereinafter referred to as "Seller" or "Company" and ____ , hereinafter referred to as "Buyer."

WITNESSETH:

Subject to the terms and conditions contained herein, Seller agrees to sell and deliver and Buyer agrees to purchase and pay for services required by Buyer under Rate Schedule GSG Firm Sales Service☐, Rate Schedule GSG-LV Firm Sales Service ☐, Rate Schedule GSG Firm Transportation Service☐, Rate Schedule GSG-LV Firm Transportation Service ☐ , and Rate Schedule IGS ☐ ~~and Natural Gas Vehicle (NGV) ☐~~ at____, as follows:

ARTICLE I
Term of Agreement

This Agreement shall commence ____ and be effective from the date hereof and the sale and purchase of services hereunder shall continue until ___________ , a date which is at least twelve (12) months from the commencement, and subject to Seller's possession of an adequate supply of gas as to Rate Schedules GSG Firm Sales Service; GSG-LV Firm Sales Service; and IGS, and subject to Seller's possession of adequate system capacity as to Rate Schedules GSG Firm Transportation Service and GSG-LV Firm Transportation Service, shall continue thereafter from year to year unless and until terminated upon written notice given by either party to the other, at least six (6) months prior to the end of any yearly term.

ARTICLE II
Duly Constituted Authorities

The rates of Seller, and the respective obligations of the parties under this Agreement, are subject to valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction. The rates, terms, and conditions of this Agreement are subject to change as may be lawfully required or permitted by the Board of Public Utilities of New Jersey, or successor agencies.

ARTICLE III
Tariff For Gas Service

All terms and conditions set forth in Seller's Tariff For Gas Service B.P.U.N.J. No. ~~11~~12 - Gas are incorporated herein by reference. All sales are subject to the General Terms and Conditions of Seller's Tariff For Gas Service and more specifically by the conditions contained in the Rate Schedule or Rate Schedules contracted for herein.

STANDARD GAS SERVICE AGREEMENT (GS)
(Continued)

ARTICLE IV
Service Volumes

1. For service rendered under Rate Schedule GSG:
For the purpose of providing criteria for the proration of available supplies, Buyer hereby indicates its Minimum and Maximum Capability of accepting GSG Service:

    a. Minimum Capability_____________________Mcf per day.
    b. Maximum Capability _____________________ Mcf per day.

2. For service rendered under Rate Schedule IGS:
For the purpose of providing criteria for the proration of available supplies, Buyer hereby indicates its Minimum and Maximum Capability of accepting IGS Service:

    a. Minimum Capability_____________________Mcf per day.
    b. Maximum Capability_____________________Mcf per day.

    Customer certifies that its alternate fuel capability is____.

3. For service rendered under Rate Schedule GSG-LV Firm Sales Service, Seller hereby agrees to sell and deliver to Buyer and Buyer agrees to pay for in accordance with the provisions of the Tariff a Contract Demand of ____ Mcf per day. This will serve as Buyer's initial Contract Demand. The Contract Demand may be adjusted by the Company from time to time, but no less than annually. The adjustments to the Contract Demand shall be based upon the Buyer's average daily usage for the month of highest usage during the preceding twelve month period, subject to normalization, if appropriate. The Buyer may then elect, in writing, a higher Contract Demand.

4. For service rendered under Rate Schedule GSG-LV Firm Transportation Service, the Company agrees to transport and deliver to the Buyer at the Buyer's facility designated on the first page of this Agreement such quantity of gas that Buyer makes available from time to time; provided, however, Company shall not be obligated to transport and deliver more than ____ Mcf per day which will be Buyer's Contract Demand.

5. It is understood by Buyer and Seller, that by electing to take delivery of gas under Rate Schedule GSG Firm Transportation Service or Rates Schedule GSG-LV Firm Transportation Service, Buyer forgoes any right or entitlement to purchase the Company's firm system gas, during the term of this Agreement. After the term of this Agreement, if Buyer requests that the Company sell firm system gas to the Buyer, the Buyer shall be treated as a new applicant for service, with no greater entitlement to firm gas sales service than is had by any other New Customer.

6. By checking the box at the end of this sentence, customer elects to take balancing service under Rider "I", rather than under Rider "J" . ☐

7. The customer's Daily Contract Quantity ("DCQ") will be established pursuant to the terms of Rider "J" to this Tariff. Under no circumstances shall the Company be obligated to deliver more than the customer's DCQ for the

STANDARD GAS SERVICE AGREEMENT (GS)
(Continued)

customer's account. Moreover, if the DCQ shall prove insufficient or excessive in any respect for the customer's needs, the Company shall not assume any responsibility or liability of any kind for such excess or insufficiency.

8. ~~For service rendered under Rate Schedule GSG Firm Transportation Service or Rate Schedule GSG-LV Firm Transportation Service, by checking the box at the end of this sentence, Buyer hereby elects to take a Capacity Assignment of interstate pipeline capacity from the Company, pursuant to a Capacity Assignment Agreement in a quantity equal to Buyer's average daily consumption during a peak winter month, for Rate Schedule GSG Customers which is agreed to be _______________ Mcf per day ☐; or in a quantity equal to Buyer's Contract Demand for Rate GSG-LV customers ☐.~~

9. ~~For service rendered under Rate Schedule NGV for compressed natural gas vehicle service at company owned stations, by checking the box at the end of this sentence ☐.~~

~~a. Minimum Capability _______________ MCF per day.~~

~~b. Maximum Capability _______________ MCF per day.~~

~~10. By checking the box a the end of this sentence and for the appropriate maximum delivery capability for service rendered under Rate Schedule NGV for compressed natural gas vehicle service at customer operated fueling stations ☐.~~

~~a. Maximum delivery capability 0 – 999 CFH ☐.~~

~~b. Maximum delivery capability 1,000 – 4,999 CFH ☐.~~

~~c. Maximum delivery capability 5,000 – 24,999 CFH ☐.~~

~~d. Maximum delivery capability 25,000 or greater CFH ☐.~~

ARTICLE V
Force Majeure

In the event of either party being rendered unable wholly or in part, by force majeure to carry out its obligations, other than the obligations to make payment of amounts accrued and due hereunder at the time thereof, it is agreed that on such party's giving notice and full particulars of such force majeure in writing or by e-mail to the other party within a reasonable time after the occurrence of the cause relied on, the obligations of both parties, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused, but for no longer period and such cause shall so far as possible be remedied with all reasonable dispatch.

Neither party shall be liable in damages to the other for any act, omission, or circumstances occasioned by, or in consequence of force majeure, as defined in Company's Tariff For Gas Service, B.P.U.N.J. No. ~~11~~12 - Gas.

Such causes or contingencies affecting the performance by either party, however, shall not relieve it of liability unless such party shall give notice and full particulars of such cause or contingency in writing or by e-mail to the other party as soon as possible after the occurrence relied upon, nor shall such causes or contingencies affecting the performance by either party hereunder relieve it of liability in the event of its failure to use due diligence to remedy the situation, nor shall such causes or contingencies affecting the performance hereunder relieve either party from its obligation to make payments of amounts then due hereunder in respect of all gas theretofore delivered.

STANDARD GAS SERVICE AGREEMENT (GS)
(Continued)

ARTICLE VI
Miscellaneous

This Agreement supersedes and cancels as of the effective date hereof all prior contracts and supplemental agreements, oral or written, between the parties hereto for the sale of gas by the Seller to the Buyer.

No waiver by either party of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any future default or defaults. whether of a like or a different character.

This Agreement shall be interpreted, performed and enforced in accordance with the laws of the State of New Jersey.

This Agreement shall be binding upon, and inure to the benefit of the parties hereto and their respective successors and assigns, but shall not be assigned or be assignable by Buyer without the consent in writing of Seller first obtained.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

SOUTH JERSEY GAS COMPANY

ATTEST:

By: ____
(Name)

____

____

____
(Title)

SELLER

ATTEST:

____
(Name - Company)

____

By: ____
(Name)

____
(Title)

BUYER

STANDARD GAS SERVICE AGREEMENT (LV)

This Agreement entered into this _________________ day of _____________ , 20 , by and between South Jersey Gas Company, a New Jersey Corporation, hereinafter referred to as "Seller" or "Company" and ____hereinafter referred to as "Buyer."

WITNESSETH:

Subject to the terms and conditions contained herein, Seller agrees to sell and deliver and Buyer agrees to purchase and pay for services required by Buyer under Rate Schedule(s) ____________________________________ at as follows:

ARTICLE I
Term of Agreement

This Agreement shall commence____ and be effective from the date hereof and the sale and purchase of services hereunder shall continue until__________________________, a date which is at least twelve (12) months from the commencement, and subject to Seller's possession of an adequate supply of gas as to Rate Schedules LVS and IGS, and subject to Seller's possession of adequate system capacity as to Rate Schedules LVS Firm Transportation Service, LVS Limited Firm Transportation and CTS shall continue thereafter from year to year unless and until terminated upon written notice given by either party to the other, at least six (6) months prior to the end of any yearly term.

ARTICLE II
Duly Constituted Authorities

The rates of Seller, and the respective obligations of the parties under this Agreement, are subject to valid laws, orders, rules, and regulation of duly constituted authorities having jurisdiction. The rates, terms, and conditions of this Agreement are subject to change as may be lawfully required or permitted by the Board of Public Utilities of New Jersey, or successor agencies.

ARTICLE III
Tariff For Gas Service

All terms and conditions set forth in Seller's Tariff For Gas Service B.P.U.N.J. No. ~~11~~12 - Gas are incorporated herein by reference. All sales are subject to the General Terms and Conditions of Seller's Tariff For Gas Service and more specifically by the conditions contained in the Rate Schedule or Rate Schedules contracted for herein.

STANDARD GAS SERVICE AGREEMENT (LV)
(Continued)

ARTICLE IV
Service Volumes

1. For service rendered under Rate Schedule LVS, Firm Sales Service __________ Firm Transportation Service __________ ~~_________~~ or CTS _________ (check appropriate space):
Seller hereby agrees to sell and deliver to Buyer and Buyer agrees to pay for in accordance with provisions of the tariff a Contract Demand of ______________ Mcf per day; provided, however, the Company shall not be obligated to transport and deliver more thanBuyer's Contract Demand. ~~By checking the box at the end of this sentence, Buyer hereby elects to take a Capacity Assignment of interstate pipeline capacity from the Company, pursuant to a Capacity Assignment Agreement with a term co-extensive with the Term of Agreement set forth in Article I, in a quantity equal to Buyer's Contract Demand for a period of time co-extensive with the Term of Agreement pursuant to Article I. ❒ Buyer hereby elects to take service in excess of Contract Demand pursuant to the Limited Firm provisions of Rate Schedules CTS or LVS. ❒~~

2. ~~For service rendered under Rate Schedule IGS:~~
~~For the purpose of providing criteria for the proration of available supplies, Buyer hereby indicates its minimum and maximum capability of accepting IGS Service:~~
~~a. Minimum capability _________________ Mcf per day.~~
~~b. Maximum capability _________________ Mcf per day.~~

~~Customer certifies that its alternate fuel capability is_____________________________________.~~

~~3. For service rendered under Rate Schedule LVS Firm Transportation Service or CTS:~~
~~The Company agrees to transport and deliver to the Buyer at the Buyer's facility designated on the first page of this Agreement such quantity of gas that Buyer makes available from time to time; provided, however, Company shall not be obligated to transport and deliver more than________________________ Mcf per day which will be Buyer's Contract Demand, or.~~

For service rendered under Rate Schedule LVS Firm Sales Service __________ LVS Limited Firm Transportation Service ______________ or CTS Limited Firm ____________:
T~~t~~he Company agrees to transport and deliver to the Buyer at the Buyer's facility designated on the first page of this Agreement such quantity of gas that Buyer makes available from time to time; provided, however, Company shall not be obligated to transport and deliver more than ____________ Mcf per day which will be Buyer's Limited Firm Contract Demand.~~, or.~~

____

~~It is understood by Buyer and Seller, that by electing to take delivery of gas under Rate Schedules LVS Firm Transportation Service, LVS Limited Firm Transportation Service or CTS, Buyer forgoes any right or entitlement to purchase the Company's firm system gas, during the term of this Agreement. After the term of this Agreement, if Buyer requests that the Company sell firm system gas to the Buyer, the Buyer shall be treated as a new applicant for service, with no greater entitlement to firm gas sales service than is had by any other New Customer.~~

3. For service rendered under Rate Schedule IGS:
For the purpose of providing criteria for the proration of available supplies, Buyer hereby indicates its minimum and maximum capability of accepting IGS Service:

a. Minimum capability ______________ Mcf per day.
b. Maximum capability ______________ Mcf per day.

Customer certifies that its alternate fuel capability is ______________________________.

ARTICLE V
Opt-Out Provision

It is understood by Buyer and Seller, that by electing to take delivery of gas under Rate Schedules LVS Firm Transportation Service, LVS Limited Firm Transportation Service or CTS, Buyer forgoes any right or entitlement to purchase the Company's firm system gas, during the term of this Agreement. After the term of this Agreement, if Buyer requests that the Company sell firm system gas to the Buyer, the Buyer shall be treated as a new applicant for service, with no greater entitlement to firm gas sales service than is had by any other New Customer.

Buyer hereby elects, by initialing in the space provided, for a term co-extensive with the Term of Agreement set forth in Article I, to provide its own interstate pipeline capacity and gas supply to Seller's

STANDARD GAS SERVICE AGREEMENT (LV)
(Continued)

City Gate Station. By making such election, Seller becomes eligible to pay the lower BS-1 Volumetric Charge pursuant to Rate Schedule CTS or Rider "I" as applicable. If Buyer does not make this election, Buyer will pay the higher BS-1 Volumetric Charge, pursuant to Rate Schedule CTS or Rider "I" as applicable. Buyer will be subject to the "opt-out" provision provided for in the Company's tariff.

____
Initials

ARTICLE VI
Force Majeure

In the event of either party being rendered unable wholly or in part, by force majeure to carry out its obligations, other than the obligations to make payment of amounts accrued and due hereunder at the time thereof, it is agreed that on such party's giving notice and full particulars of such force majeure in writing or by e-mail to the other party within a reasonable time after the occurrence of the cause relied on, the obligations of both parties, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused, but for no longer period and such cause shall so far as possible be remedied with all reasonable dispatch.

Neither party shall be liable in damages to the other for any act, omission, or circumstances occasioned by, or in consequence of force majeure, as defined in the Company's Tariff For Gas Service, B.P.U.N.J. No. ~~11~~ 12 - Gas. Such causes or contingencies affecting the performance by either party, however, shall not relieve it of liability unless such party shall give notice and full particulars of such cause or contingency in writing or by e-mail to the other party as soon as possible after the occurrence relied upon, nor shall such causes or contingencies affecting the performance by either party hereunder relieve it of liability in the event of its failure to use due diligence to remedy the situation, nor shall such causes or contingencies affecting the performance hereunder relieve either party from its obligation to make payments of amounts then due hereunder in respect of all gas theretofore delivered.

ARTICLE VII
Miscellaneous

This Agreement supersedes and cancels as of the effective date hereof all prior contracts and supplemental agreements, oral or written, between the parties hereto for the sale of gas by the Seller to the Buyer.

No waiver by either party of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or a different character.

This Agreement shall be interpreted, performed and enforced in accordance with the laws of the State of New Jersey.

This Agreement shall be binding upon, and inure to the benefit of the parties hereto and their respective successors and assigns, but shall not be assigned or be assignable by Buyer without the consent in writing of Seller first obtained.

STANDARD GAS SERVICE AGREEMENT (LV)
(Continued)

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

SOUTH JERSEY GAS COMPANY

ATTEST:

By: ____
(Name)

____

____
(Title)

Seller:

ATTEST:

____
(Name - Company)

____

By: ____
(Name)

____
(Title)

Buyer:

STANDARD GAS SERVICE AGREEMENT (ITS)

This Agreement entered into this __________________ day of____________________________ , 20 , by and between South Jersey Gas Company, a New Jersey Corporation, hereinafter referred to as "Company" and

______________________________hereinafter referred to as "Customer."

WITNESSETH

WHEREAS, Company's Tariff for Gas Service contains a Rate Schedule designated as Interruptible Transportation Service (ITS); and

WHEREAS, Customer has arranged to have gas, to which Customer has clear and marketable title, made available for transportation service on the Company's system and the Customer has provided evidence of such title to the Company as required by the ITS Rate Schedule; and

WHEREAS, Customer has requested Company to transport said gas under Rate Schedule ITS, from Company's city gate station(s) located at____
____
____
____
____

ARTICLE I
Term of Agreement

NOW, THEREFORE, Company and Customer agree as follows:

This Agreement shall commence on ____and be effective from the date hereof and continue for a term of (one month minimum term) and continue thereafter from month to month until terminated by either Company or Customer by written notice at least thirty (30) days prior to the beginning of any one month term.

ARTICLE II
Duly Constituted Authorities

The Company's rates, and the respective obligations of the parties under this Agreement, are subject to valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction. The rates, terms, and conditions of this Agreement are subject to change as may be lawfully required or permitted by the Board of Public Utilities of New Jersey, or successor agencies.

STANDARD GAS SERVICE AGREEMENT (ITS)
(Continued)

ARTICLE III
Tariff For Gas Service

All terms and conditions set forth in Company's Tariff for Gas Service B.P.U.N.J. No. ~~11~~12 - Gas are incorporated herein by reference. All services are subject to the General Terms and Conditions of Company's Tariff for Gas Service and more specifically the provisions set forth in the Interruptible Transportation Service (ITS) Rate Schedule.

ARTICLE IV
Service Volumes

The Company agrees to transport such quantity of gas that Customer makes available from time to time; provided, however, that Company shall not be obligated to transport and deliver more than___________________DT per day, the Scheduled Daily Delivery.

ARTICLE V
No Priority

Customer and Company recognize and agree that the provision of service under Rate Schedule ITS by the Company shall not afford the Customer any benefit or priority of entitlement to service under any other rate schedule of the Company. Should the Customer apply for service under any other rate schedule of the Company, the Customer will be treated no differently from any other applicant for service similarly situated under similar conditions.

ARTICLE VI
Alternate Fuel Capability

Customer certifies that its alternate fuel capability is____ .

ARTICLE VII
Force Majeure

In the event of either party being rendered unable wholly or in part, by force majeure to carry out its obligations, other than the obligations to make

STANDARD GAS SERVICE AGREEMENT (ITS)
(Continued)

payment of amounts accrued and due hereunder at the time thereof, it is agreed that on such party's giving notice and full particulars of such force majeure in writing or by e-mail to the other party within a reasonable time after the occurrence of the cause relied on, the obligations of both parties, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused, but for no longer period and such cause shall so far as possible be remedied with all reasonable dispatch.

Neither party shall be liable in damages to the other for any act, omission, or circumstances occasioned by, or in consequence of force majeure, as defined in Company's Tariff for Gas Service, B.P.U.N.J. No. ~~11~~12 - Gas.

Such causes or contingencies affecting the performance by either party, however, shall not relieve it of liability unless such party shall give notice and full particulars of such cause or contingency in writing or by e-mail to the other party as soon as possible after the occurrence relied upon, nor shall such causes or contingencies affecting the performance by either party here-under relieve it of liability in the event of its failure to use due diligence to remedy the situation, nor shall such causes or contingencies affecting the performance hereunder relieve customer from its obligation to make payments of amounts then due hereunder in respect of all gas theretofore delivered.

ARTICLE VII
Miscellaneous

This Agreement supersedes and cancels as of the effective date hereof all prior contracts and supplemental agreements, oral or written, between the parties hereto solely for the transportation of gas by the Company to the Customer.

No waiver by either party of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any further default or defaults, whether of a like or a different character.

This Agreement shall be interpreted, performed and enforced in accordance with the laws of the State of New Jersey.

This Agreement shall be binding upon, and inure to the benefit of the parties hereto and their respective successors and assigns, but shall not be assigned or be assignable by Customer without the Consent in writing of Company first obtained.

STANDARD GAS SERVICE AGREEMENT (ITS)
(Continued)

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

SOUTH JERSEY GAS COMPANY

ATTEST:

________________________________ By: ________________________________
(Name)

____
(Title)

____
(Name of Customer)

ATTEST:

________________________________ By: ________________________________
(Name)

____
(Title)

STANDARD GAS SERVICE AGREEMENT (IGS)

This Agreement entered into this _______________ day of ________________________ , 20 , by and between South Jersey Gas Company, a New Jersey Corporation, hereinafter referred to as "Seller" or "Company" and___________ ____ hereinafter referred to as "Buyer."

WITNESSETH:

Subject to the terms and conditions contained herein, Seller agrees to sell and deliver and Buyer agrees to purchase and pay for services required by Buyer under Rate Schedule(s)____ _________ at ____ , as follows:

ARTICLE I
Term of Agreement

This Agreement shall commence ____ and be effective from the date hereof and the sale and purchase of gas hereunder shall continue until ________________ , a date which is at least twelve (12) months from the commencement, and subject to Seller's possession of an adequate supply of gas, shall continue thereafter from year to year unless and until terminated upon written notice given by either party to the other at least six (6) months prior to the end of any yearly term.

ARTICLE II
Duly Constituted Authorities

The rates of Seller, and the respective obligations of the parties under this Agreement, are subject to valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction. The rates, terms, and conditions of this Agreement are subject to change as may be lawfully required or permitted by the Board of Public Utilities of New Jersey, or successor agencies.

ARTICLE III
Tariff For Gas Service

All terms and conditions set forth in Seller's Tariff For Gas Service B.P.U.N.J. No. ~~11~~ 12 - Gas are incorporated herein by reference. All sales are subject to the General Terms and Conditions of Seller's Tariff For Gas Service and more specifically by the conditions contained in the Rate Schedule contracted for herein.

STANDARD GAS SERVICE AGREEMENT (IGS)
(Continued)

ARTICLE IV
Service Volumes

For service rendered under Rate Schedule IGS:
For the purpose of providing criteria for the proration of available supplies, Buyer hereby indicates its minimum and maximum capability of accepting IGS Service:

a. Minimum capability ___________ Mcf per day.
b. Maximum capability ___________Mcf per day.

Customer certifies that the alternate fuel capability is____ .

ARTICLE V
Force Majeure

In the event of either party being rendered unable wholly or in part, by force majeure to carry out its obligations, other than the obligations to make payment of amounts accrued and due hereunder at the time thereof, it is agreed that on such party's giving notice and full particulars of such force majeure in writing or by e-mail to the other party within a reasonable time after the occurrence of the cause relied on, the obligations of both parties, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused, but for no longer period and such cause shall so far as possible be remedied with all reasonable dispatch.

Neither party shall be liable in damages to the other for any act, omission, or circumstances occasioned by or in consequence of force majeure, as defined in Company's Tariff For Gas Service, B.P.U.N.J. No. ~~11~~ 12 - Gas.

Such causes or contingencies affecting the performance by either party, however, shall not relieve it of liability unless such party shall give notice and full particulars of such cause or contingency in writing or by e-mail to the other party as soon as possible after the occurrence relied upon, nor shall such causes or contingencies affecting the performance by either party hereunder relieve it of liability in the event of its failure to use due diligence to remedy the situation, nor shall such causes or contingencies affecting the performance hereunder relieve either party from its obligation to make payments of amounts then due hereunder in respect of all gas theretofore delivered.

STANDARD GAS SERVICE AGREEMENT (IGS)
(Continued)

ARTICLE VI
Miscellaneous

This Agreement supersedes and cancels as of the effective date hereof all prior contracts and supplemental agreements, oral or written, between the parties hereto for the sale of gas by the Seller to the Buyer.

No waiver by either party of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or a different character.

This Agreement shall be interpreted, performed and enforced in accordance with the laws of the State of New Jersey.

This Agreement shall be binding upon, and inure to the benefit of the parties hereto and their respective successors and assigns, but shall not be assigned or be assignable by Buyer without the consent in writing of Seller first obtained.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

SOUTH JERSEY GAS COMPANY

ATTEST:

By: ____
(Name)

____

____
(Title)

SELLER

ATTEST:

____
(Name - Company)

____

By: ____
(Name)

____
(Title)

BUYER

STANDARD GAS SERVICE AGREEMENT (EGS)

This Agreement entered into this________________day of ____________________, 20 , by and between South Jersey Gas Company, a New Jersey Corporation, hereinafter referred to as "Seller" or "Company" and __________ ____ , hereinafter referred to as "Buyer."

WITNESSETH:

Subject to the terms and conditions contained herein, Seller agrees to sell and deliver and Buyer agrees to purchase and pay for services required by Buyer under Rate Schedule EGS ☐; or Rate Schedule EGS-LV ☐: at__________________________________as follows:

ARTICLE I
Term of Agreement

This Agreement shall be effective from the date of execution. The sale and purchase of gas hereunder shall commence on ______________________ and continue until____________________________________ , and subject to Seller's possession of an adequate supply of gas (except for Rate Schedule EGS-LV customers electing Rider "D" and Rate Schedule EGS Firm Transportation customers), shall continue thereafter from year to year unless and until terminated upon written notice given by either party to the other, at least six (6) months prior to the end of any yearly term, or the initial term.

ARTICLE II
Facilities Charge

In consideration for Seller's agreement to provide service as described in this agreement, Buyer agrees to pay a facilities charge of $_____________________ , at the time of execution of Standard Gas Service Agreement (EGS), which represents the initial estimate of the capital cost of providing service to the Buyer's facility or some agreed upon portion thereof. This payment will be refunded or credited against the customer security deposit, after the first month of the provision of gas service to the customer. If the Buyer terminates this agreement or fails to initiate service hereunder, or fails to make any deposit required by Article III, this sum shall be retained by the Seller.

ARTICLE III
Commitment Fee

Each potential payment obligation of Buyer under this Article III, shall be deposited with the Company twelve (12) months in advance, without interest, if gas service commences more than twelve (12) months from the effective date of this agreement, the Buyer shall pay to Seller, a nonrefundable commitment fee of $_______________________ , which shall be equal to one month's minimum bill, and shall pay an equal amount on each anniversary date of the effective date of this Standard Gas Service Agreement (EGS), until gas service commences.

Pursuant to this Article III, Buyer hereby deposits with the Company, and the Company hereby acknowledges a deposit of $______________________ .

STANDARD GAS SERVICE AGREEMENT (EGS)
(Continued)

ARTICLE IV
Buyer Security Deposit

Seller may require from Buyer a security deposit which will be due before the commencement of gas service. This deposit will be equal to the estimated amount of two (2) monthly billings for Buyers served under Rate Schedule EGS-LV and intending to utilize Rider D and for Rate Schedule EGS Firm Transportation customers and three (3) monthly billings for Buyers intending to utilize the Company's gas supply.

ARTICLE V
Duly Constituted Authorities

The rates of Seller, and the respective obligations of the parties under this Agreement, are subject to valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction. The rates, terms, and conditions of this Agreement are subject to change as may be lawfully required or permitted by the Board of Public Utilities of New Jersey, or successor agencies.

ARTICLE VI
Tariff for Gas Service

All terms and conditions set forth in Seller's Tariff for Gas Service B.P.U.N.J. No. ~~11~~ 12 - Gas are incorporated herein by reference. All sales are subject to the General Terms and Conditions of Seller's Tariff for Gas Service and more specifically by the conditions contained in the Rate Schedule contracted for herein.

ARTICLE VII
Service Volumes

1. For service rendered under Rate Schedule EGS-LV, customer's Firm and Limited Firm Daily Contract Demands shall be:

   a. Firm - __________ Mcf per day, to be the first gas through the meter each day.

   b. Limited Firm - __________ Mcf per day, to be the next gas through the meter each day.

2. Buyer hereby elects, by signing in the space below to provide its own gas pursuant to Rider D. All or any portion of Buyer's Firm Daily Contract Demand and Limited Firm Daily Contract Demand, pursuant to this Article VII of the Standard Gas Service Agreement (EGS), may be met through Rider D, and Seller has no obligation to sell gas to Buyer under any other article, paragraph or provision of Rate Schedule EGS-LV or the Standard Gas Service Agreement (EGS).

   Buyer hereby elects Rider D______________________________ .

   For service rendered under Rate Schedule EGS-LV, customer's Firm and Limited Firm Daily Contract Demand levels provided pursuant to Rider D shall be:

STANDARD GAS SERVICE AGREEMENT (EGS)
(Continued)

a. Firm - ______________ Mcf per day.

b. Limited Firm - ___________ Mcf per day.

3. For service rendered under Rate Schedule EGS, customer's Firm Daily Contract Demand shall be:

__________ Mcf per day, to be the first gas through the meter each day.

4. For service rendered under Rate Schedule EGS Firm Transportation Service:
The Company agrees to transport and deliver to the Buyer at the Buyer's facility designated on the first page of this Agreement such quantity of gas that Buyer makes available from time to time; provided, however, Company shall not be obligated to transport and deliver more than________________________Mcf per day which will be Buyer's Contract Demand.

It is understood by Buyer and Seller, that by electing to take delivery of gas under Rate Schedule EGS Firm Transportation Service, Buyer forgoes any right or entitlement to purchase the Company's firm system gas, during the term of this Agreement. After the term of this Agreement, if Buyer requests that the Company sell firm system gas to the Buyer, the Buyer shall be treated as a new applicant for service, with no greater entitlement to firm gas sales service than is had by any other New Customer.

ARTICLE VIII
Rates

_____ As provided in the Monthly Rate section of Rate Schedule EGS; or

_Negotiated rates pursuant to Special Provision (e) of Rate Schedule EGS-LV:

D-1 charge will be _______________.

Limited Firm:

C-3 charge will be ________ . **ALL CUSTOMERS MUST COMPLETE.**

STANDARD GAS SERVICE AGREEMENT (EGS)
(Continued)

ARTICLE IX
Election

By checking the box at the end of this sentence, customer elects to take balancing service under Rider "I", rather than under Rider "J" to this Tariff. ☐

ARTICLE X
Opt-Out Provision

Buyer (a Rate Schedule EGS-LV customer) hereby elects, by initialing in the space provided, for a term co-extensive with the Term of Agreement set forth in Article I, to provide its own interstate pipeline capacity and gas supply to Seller's City Gate Station. By making such election, Seller becomes eligible to pay the lower BS-1 Volumetric Charge pursuant to Rider "I". If Buyer does not make this election, Buyer will pay the higher BS-1 Volumetric Charge, pursuant to Rider "I". Buyer will be subject to the opt-out provisions provided for in the Company's tariff.

____
Initials

ARTICLE XI
Force Majeure

In the event of either party being rendered unable wholly or in part, by force majeure to carry out its obligations, other than the obligations to make payment of amounts accrued and due hereunder at the time thereof, it is agreed that on such party's giving notice and full particulars of such force majeure in writing or by e-mail to the other party within a reasonable time after the occurrence of the cause relied on, the obligations of both parties, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused, but for no longer period and such cause shall so far as possible be remedied with all reasonable dispatch.

Neither party shall be liable in damages to the other for any act, omission, or circumstances occasioned by, or in consequence of force majeure, as defined in Company's Tariff for Gas Service, B.P.U.N.J. No. ~~11~~12 - Gas.

Such causes or contingencies affecting the performance by either party, however, shall not relieve it of liability unless such party shall give notice and full particulars of such cause or contingency in writing or by e-mail to the other party as soon as possible after the occurrence relied upon, nor shall such causes or contingencies affecting the performance by either party hereunder relieve it of liability in the event of its failure to use due diligence to remedy the situation, nor shall such causes or contingencies affecting the performance hereunder relieve either party from its obligation to make payments of amounts then due hereunder in respect of all gas theretofore delivered.

ARTICLE XII
Miscellaneous

This Agreement supersedes and cancels as of the effective date hereof all prior contracts and supplemental agreements, oral or written, between the parties hereto for the sale of gas by the Seller to the Buyer.

No waiver by either party of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or a different character.

STANDARD GAS SERVICE AGREEMENT (EGS)
(Continued)

This Agreement shall be interpreted, performed and enforced in accordance with the laws of the State of New Jersey.

This Agreement shall be binding upon, and inure to the benefit of the parties hereto and their respective successors and assigns, but shall not be assigned or be assignable by Buyer without the consent in writing of Seller first obtained.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

SOUTH JERSEY GAS COMPANY

ATTEST:

____

By: ______________________________
(Name)

____
(Title)

SELLER

ATTEST:

____
(Name - Company)

____

____
(Name)

____
(Title)

BUYER

STANDARD GAS SERVICE AGREEMENT (FES)

This Agreement entered into this____________________ day of _________________________ , 20 , by and between South Jersey Gas Company, a New Jersey Corporation, hereinafter referred to as "Seller" or "Company" and ____ and hereinafter referred to as "Buyer."

WITNESSETH:

Subject to the terms and conditions contained herein, Seller agrees to sell and deliver and Buyer agrees to purchase and pay for services required by Buyer under Rate Schedule FES ______________________________________ at ____ , which is Buyer's FES Facility, as follows:

ARTICLE I
Term of Agreement

This Agreement shall commence____and be effective from the date hereof and the sale and purchase of gas hereunder shall continue until______________________________ , and subject to Seller's possession of an adequate supply of gas, shall continue thereafter from year to year unless and until terminated upon written notice given by either party to the other, at least six (6) months prior to the end of the initial term or any yearly term.

ARTICLE II
Duly Constituted Authorities

The rates of Seller, and the respective obligations of the parties under this Agreement, are subject to valid laws, orders, rules, and regulation of duly constituted authorities having jurisdiction. The rates, terms, and conditions of this Agreement are subject to change as may be lawfully required or permitted by the Board of Public Utilities of New Jersey.

ARTICLE III
Tariff For Gas Service

All terms and conditions set forth in Seller's Tariff For Gas Service B.P.U.N.J. No~~.~~12 ~~11~~ - Gas are incorporated herein by reference. All sales are subject to the General Terms and Conditions of Seller's Tariff For Gas Service and more specifically by the conditions contained in the rate schedules contracted for herein.

ARTICLE IV
Service Volumes

Firm:

Seller hereby agrees to sell and deliver to Buyer and Buyer agrees to pay for in accordance with provisions of the tariff:

(1) a Winter Daily Contract Demand of _____________ Mcf per day;
(2) a Summer Daily Contract Demand of _______________ MCF per day.

STANDARD GAS SERVICE AGREEMENT (FES)
(Continued)

Billing Determinants:

(1) Customer shall have a Annual Billing Determinant ("ABD") of ________________ .

(2) Customer shall have a Daily Billing Determinant of _________________ . (ABD/365)

ARTICLE V
Rates

Negotiated rates pursuant to Special Provision (j) of the Rate Schedule FES are as follows:

Winter Rates:

D-1 Charge will be ____________.

C-3 Charge will be ____________.

Summer Rates:

D-1 Charge will be ____________.

C-3 Charge will be ____________.

ARTICLE VI
Winter Season Interruption

Buyer and Seller agree that Buyer's service under Rate Schedule FES may be partially or totally interrupted on ____ days during a Winter Season pursuant to Special Provision (r) of Rate Schedule FES

ARTICLE VII
Customer Owned Gas

Customer has requested Company to deliver said gas under Rate Schedule FES, Rider "D" from Company's city gate station(s) located at

____
____
____
____

STANDARD GAS SERVICE AGREEMENT (FES)
(Continued)

The Company agrees to deliver such quantity of gas that Customer makes available from time to time: provided, however, Company shall not be obligated on a daily basis to deliver more than customer's Winter Daily Contract Demand or Summer Daily Contract Demand for the then applicable season.

ARTICLE VIII
Opt-Out Provision

Buyer (a Rate Schedule FES customer) hereby elects, by initialing in the space provided, for a term co-extensive with the Term of Agreement set forth in Article I, to provide its own interstate pipeline capacity and gas supply to Seller's City Gate Station. By making such election, Seller becomes eligible to pay the lower BS-1 Volumetric Charge pursuant to Rider "I". If Buyer does not make this election, Buyer will pay the higher BS-1 Volumetric Charge, pursuant to Rider "I". Buyer will be subject to the opt-out provisions provided for in the Company's tariff.

____

______________________ Initials

ARTICLE IX~~VIII~~
Force Majeure

In the event of either party being rendered unable wholly or in part, by force majeure to carry out its obligations, other than the obligations to make payment of amounts accrued and due hereunder at the time thereof, it is agreed that on such party's giving notice and full particulars of such force majeure in writing or by e-mail to the other party within a reasonable time after the occurrence of the cause relied on, the obligations of both parties, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused, but for no longer period and such cause shall so far as possible be remedied with all reasonable dispatch.

Neither party shall be liable in damages to the other for any act, omission, or circumstances occasioned by, or in consequence of force majeure, as defined in Company's Tariff For Gas Service, B.P.U.N.J. No. ~~11~~12 - Gas.

Such causes or contingencies affecting the performance by either party, however, shall not relieve it of liability unless such party shall give notice and full particulars of such cause or contingency in writing or by e-mail to the other party as soon as possible after the occurrence relied upon, nor shall such causes or contingencies affecting the performance by either party hereunder relieve it of liability in the event of its failure to use due diligence to remedy the situation, nor shall such causes or contingencies affecting the performance hereunder relieve either party from its obligation to make payments of amounts then due hereunder in respect of all gas theretofore delivered.

ARTICLE ~~I~~X
Miscellaneous

This Agreement supersedes and cancels as of the effective date hereof all prior contracts and supplemental agreements for firm service, oral or written, between the parties hereto for the sale of gas by the Seller to the Buyer.

No waiver by either party of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or a different character.

STANDARD GAS SERVICE AGREEMENT (FES)
(Continued)

This Agreement shall be interpreted, performed and enforced in accordance with the laws of the State of New Jersey.

This Agreement shall be binding upon, and inure to the benefit of the parties hereto and their respective successors and assigns, but shall not be assigned or be assignable by Buyer without the consent in writing of Seller first obtained.

~~STANDARD GAS SERVICE AGREEMENT (FES)~~
~~(Continued)~~

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

SOUTH JERSEY GAS COMPANY

ATTEST:

By: ______________________________
(Name)

______________________________ ______________________________
(Title)

SELLER

____
(Name - Company)

ATTEST:

____

By: ______________________________
(Name)

____
(Title)

STANDARD GAS SERVICE AGREEMENT (NGV)

This Agreement entered into this_____________day of _________________ , 20 , by and between South Jersey Gas Company, a New Jersey Corporation, hereinafter referred to as "Seller" or "Company" and ____ , hereinafter referred to as "Buyer~~.~~" or "Customer".

WITNESSETH:

Subject to the terms and conditions contained herein, Seller agrees to sell and deliver and Buyer agrees to purchase and pay for services required by Buyer under Rate Schedule Natural Gas Vehicle (NGV) Firm Sales Service ☐ Rate Schedule Natural Gas Vehicle (NGV) Firm Transportation Service ☐
at____, as follows:

ARTICLE I
Term of Agreement

This Agreement shall commence ____ and be effective from the date hereof and the sale and purchase of services hereunder shall continue until __________ , a date which is at least twelve (12) months from the commencement, and subject to Seller's possession of an adequate supply of gas as to Firm Sales Service; ~~IGS,~~ and subject to Seller's possession of adequate system capacity as to Firm Transportation Service, shall continue thereafter from year to year unless and until terminated upon written notice given by either party to the other, at least six (6) months prior to the end of any yearly term.

ARTICLE II
Duly Constituted Authorities

The rates of Seller, and the respective obligations of the parties under this Agreement, are subject to valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction. The rates, terms, and conditions of this Agreement are subject to change as may be lawfully required or permitted by the Board of Public Utilities of New Jersey, or successor agencies.

ARTICLE III
Tariff For Gas Service

All terms and conditions set forth in Seller's Tariff For Gas Service B.P.U.N.J. No. ~~11~~ 12 - Gas are incorporated herein by reference. All sales are subject to the General Terms and Conditions of Seller's Tariff For Gas Service and more specifically by the conditions contained in Rate Schedule Natural Gas Vehicle (NGV).

STANDARD GAS SERVICE AGREEMENT (NGV)
(Continued)

ARTICLE IV
Service Volumes

1. By checking the box at the end of this sentence, customer elects to take balancing service under Rider "I", rather than under Rider "J" . ☐

2. The customer's Daily Contract Quantity ("DCQ") will be established pursuant to the terms of Rider "J" to this Tariff. Under no circumstances shall the Company be obligated to deliver more than the customer's DCQ for the customer's account. Moreover, if the DCQ shall prove insufficient or excessive in any respect for the customer's needs, the Company shall not assume any responsibility or liability of any kind for such excess or insufficiency.

3. For service rendered under Rate Schedule NGV for compressed natural gas vehicle service at C~~c~~ompany owned stations, by checking the box at the end of this sentence ☐.
   a. Minimum Capability _______________ MCF per day.
   b. Maximum Capability _______________MCF per day.

4. By checking the box a the end of this sentence and for the appropriate maximum delivery capability for service rendered under Rate Schedule NGV for compressed natural gas vehicle service at customer operated fueling stations ☐.
   a. Maximum delivery capability 0 – 999 CFH ☐.
   b. Maximum delivery capability 1,000 – 4,999 CFH ☐.
   c. Maximum delivery capability 5,000 – 24,999 CFH ☐.
   d. Maximum delivery capability 25,000 or greater CFH ☐.

ARTICLE V
Facilities Charge

By checking the box at the end of this sentence, Customer elects to have the Company Construct CNG fueling facilities located on customer's property, pursuant to Special Provision (b) of Rate Schedule NGV☐. As such, the following Facilities Charge shall apply:

C-2: $0.376764 ($0.470955 GGE)
MACF $_______________ ($_______________ GGE)

ARTICLE VI
O&M Charges

By checking the box at the end of this sentence, Customer elects to have Company operate and maintain the CNG fueling facilies located on Customer's property, pursuant to Special Provision (c) of Rate Schedule NGV☐. The costs associated with all operation and/or maintenance of the CNG fueiling facilities located on Customer's property by the Company shall be charged to Customer as a pass through of all actual costs incurred by the Company.

ARTICLE VII
Force Majeure

In the event of either party being rendered unable wholly or in part, by force majeure to carry out its obligations, other than the obligations to make payment of amounts accrued and due hereunder at the time thereof, it is agreed that on such party's giving notice and full particulars of such force majeure in writing or by e-mail to the other party within a reasonable time after the occurrence of the cause relied on, the obligations of both parties, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused, but for no longer period and such cause shall so far as possible be remedied with all reasonable dispatch.

Neither party shall be liable in damages to the other for any act, omission, or circumstances occasioned by, or in consequence of force majeure, as defined in Company's Tariff For Gas Service, B.P.U.N.J. No. ~~11~~ 12 - Gas.

Such causes or contingencies affecting the performance by either party, however, shall not relieve it of liability unless such party shall give notice and full particulars of such cause or contingency in writing or by e-mail to the other party as soon as possible after the occurrence relied upon, nor shall such causes or contingencies affecting the performance by either party hereunder relieve it of liability in the event of its failure to use due diligence to remedy the situation, nor shall such causes or contingencies affecting the performance hereunder relieve either party from its obligation to make payments of amounts then due hereunder in respect of all gas theretofore delivered.

STANDARD GAS SERVICE AGREEMENT (NGV)
(Continued)

ARTICLE ~~VIIX~~VIII
Miscellaneous

This Agreement supersedes and cancels as of the effective date hereof all prior contracts and supplemental agreements, oral or written, between the parties hereto for the sale of gas by the Seller to the Buyer.

No waiver by either party of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any future default or defaults. whether of a like or a different character.

This Agreement shall be interpreted, performed and enforced in accordance with the laws of the State of New Jersey.

This Agreement shall be binding upon, and inure to the benefit of the parties hereto and their respective successors and assigns, but shall not be assigned or be assignable by Buyer without the consent in writing of Seller first obtained.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

SOUTH JERSEY GAS COMPANY

ATTEST:

By: ____
(Name)
____

____
____
(Title)

SELLER

ATTEST:

____
(Name - Company)

____

By: ____
(Name)

____
(Title)

BUYER/CUSTOMER

AGREEMENT NO. :

AGGREGATOR/MARKETER'S AGREEMENT (A/M)

This Aggregator/Marketer (A/M) Agreement ("A/M Agreement") entered into this ______________ day of ______ , 20 , by and between South Jersey Gas Company, a New Jersey corporation, sometimes hereinafter referred to as "Seller", "South Jersey" or the "Company" and ____ ____, a _________________________________corporation whose principal place of business is located at____ , and who transacts business as an Aggregator of gas or as a Marketer of gas, sometimes collectively hereinafter referred to as "Aggregator/Marketer". South Jersey and the Aggregator/Marketer are parties to this Agreement, and are sometimes hereinafter referred to as "Parties."

WHEREAS, South Jersey is a regulated public utility of the State of New Jersey under the jurisdiction of the New Jersey Board of Public Utilities (the "Board"), and is engaged in the sale, distribution and transportation of gas in intrastate commerce within said State; and

WHEREAS, the Aggregator/Marketer has arranged for the delivery of gas to a City Gate Station of South Jersey, on behalf of certain customers ("Customers") identified on Appendix A to this A/M Agreement. A customer group is defined as either a group of customers served under a single Rate Schedule or a group of customers served pursuant to Rider "I" Balancing Service Clause - Large Volume; and

WHEREAS, each Customer Group will consist of Customers served pursuant to a single Rate Schedule of the South Jersey's Board approved Tariff for Gas Service, B.P.U.N.J. No. ~~11~~12 - Gas ("Tariff for Gas Service") and will be designated on Appendix A by reference to that Rate Schedule;

WHEREAS, the Customers who constitute the members of the Customer Groups have requested that South Jersey transport gas for the Customers on an aggregated basis, as part of said Customer Groups; and

WHEREAS, the Company has agreed to perform such transportation of gas, subject to the terms of this A/M Agreement.

NOW, THEREFORE, the Parties, intending to be legally bound hereby, in exchange for the mutual promises contained herein; agree as follows:

1. **Term.** The term of this A/M Agreement shall be one year from the date of this A/M Agreement, and shall continue thereafter from year to year unless and until terminated upon written notice given by either party to the other at least thirty (30) days prior to the effective date of any termination.

2. **Aggregation.** Attached hereto as Appendix A is a list of those Customers comprising the initial Customer Groups pursuant to the terms of this A/M Agreement, if such groups exist. On or before the tenth (10th) day of each calendar month, the Aggregator/Marketer shall provide the Company with a revised Appendix A in which the Aggregator/Marketer will designate those Customers who will be members of the Customer Groups for the immediately following calendar month. This list will be furnished on a preliminary basis. The Company may then advise the Aggregator/Marketer of any members of the Customer Groups who have been removed from the Customer Groups for cause pursuant to the terms of this A/M Agreement, as well as any Customers who have advised the Company that they have "opted out" of

AGGREGATOR/MARKETER'S AGREEMENT (A/M)
(Continued)

the Customer Groups. On or before the twentieth (20th) day of said calendar month, the Aggregator/Marketer will provide the Company with a final Appendix A for the immediately following calendar month. Then all of the volumes transported for that Customer Group under the terms of this A/M Agreement shall be aggregated as to that single customer Group for the purposes of Rider "I", the Balancing Service Clause - Large Volume, of the Tariff for Gas Service, or Rider "J", the Balancing Service Clause - General Service of the Tariff for Gas Service.

3. **Liability for Tariff Charges.** Each month, South Jersey will render an invoice to the Aggregator/Marketer for tariff charges pursuant to Rider "I" or Rider "J" to the Tariff for Gas Service on an aggregated basis for the Customer Group, as well as for the monthly Aggregator/Marketer's Fee, but excluding the BS-1 Volumetric Charges. This invoice shall be payable pursuant to the applicable Terms of Payment provisions of the applicable rider of South Jersey's Tariff for Gas Service. The Aggregator/Marketer shall be responsible for the payment of all charges pursuant to this paragraph. South Jersey will invoice the customer directly for charges for transportation pursuant to the applicable Rate Schedule, and for the BS-1 Volumetric Charges.

4. RESERVED FOR FUTURE USE

5. **Aggregator's/Marketer's Fee.** The monthly fee for the provision of aggregation services by the Company and for access by the Aggregator/Marketer to the ~~Company's Electronic Bulletin Board~~Third Party ~~Marketer~~ Marketer Portal (the "Portal") will be One Hundred Dollars ($100.00) ("Aggregator/Marketer's Fee") per Aggregator/Marketer. In addition, the Company may provide additional services to the Aggregator/Marketer at an agreed upon charge or charges. Such charge or charges shall be included on the invoice for the monthly fee. Such charge or charges may include both a POR Fee and a Bill Presentation and Mailing Fee per bill per month ~~charge~~ negotiated by South Jersey and the Aggregator/Marketer, for South Jersey to invoice the customer for the natural gas commodity.

6. **Removal for Cause.** All members of a Customer Group must qualify for service under Rate Schedule of the Seller's Tariff for Gas Service applicable to the Customer Group, and aggregation pursuant to this A/M Agreement will be performed only for Customers within a single Customer Group. If South Jersey determines that a Customer no longer qualifies for service under the Rate Schedule applicable to the appropriate Customer Group, it shall remove that Customer from the Customer Group, and such action shall be Removal for Cause.

Removal for Cause shall also be permitted: (1) if any Customer fails to meet any financial obligation imposed by this A/M Agreement or by the Tariff for Gas Service or violates the terms of any Operational Flow Order issued pursuant to said Tariff for Gas Service; or (2) conducts business with the Seller in a manner which jeopardizes South Jersey's ability to serve customers of equal or higher priority to the Customer under N.J.A.C. 14:29-3.2(a), irrespective of whether N.J.A.C. 14:29-3.2(a) is actually invoked; or (3) pursues any other conduct detrimental to the Company's system integrity.

If Removal for Cause is invoked by the Company, it shall be done upon at least twenty-four hours notice, orally or in writing, which notice shall specify the effective date and reasons for such removal. Removal for cause shall not relieve the Customer of any responsibility or liability incurred before the effective date of the Removal for Cause.

AGGREGATOR/MARKETER'S AGREEMENT (A/M)
(Continued)

7. **Customer Opt Out.** Any member of a Customer Group may elect to opt out of the Customer Group. Notice of such election must be provided to the Company, orally or in writing, on or before the tenth day of the calendar month during which such election shall be effective. The election to opt out of the Customer Group shall be effective until the end of the term of this A/M Agreement. Provided, however, that the election to opt out of the Customer Group shall not relieve the Customer of any responsibility or liability incurred under this A/M Agreement, the Tariff for Gas Service, or otherwise, for periods of time prior to the time that such election became effective.

8. **Provision of Data**. In order for South Jersey to provide gas consumption history and billing data relative to a member of a Customer Group such member must authorize South Jersey to provide to the Aggregator/Marketer, such data upon a form entitled "Authorization to Release Account Information".

9. **Computer Capability.** Aggregator/Marketer agrees that throughout the Term of this A/M Agreement, Aggregator/Marketer will maintain computer capability necessary to access ~~Seller's Electronic Bulletin Board~~~~Marketer~~the Portal.

10. **Aggregator/Marketer Creditworthiness Standards.** As a condition precedent to this A/M Agreement, the Aggregator/Marketer must meet creditworthiness standards acceptable to the Seller, throughout the Term of this A/M Agreement. In addition, upon the execution of this A/M Agreement, and thereafter, the Company may perform an evaluation of the Customer's creditworthiness. If South Jersey, at any time, deems that Aggregator/Marketer has not met Seller's creditworthiness standards, the Company may require that the Aggregator/Marketer post a cash deposit, letter of credit, performance bond or similar credit facility or other collateral, satisfactory to South Jersey as a condition precedent to this A/M Agreement. In order to assist South Jersey in making its determinations, Aggregator/Marketer agrees to supply such information as the Company will reasonably require to make creditworthiness determinations. Should the Aggregator/Marketer fail to provide such information, Seller may refuse to proceed or continue with this A/M Agreement.

11. **Termination for Conduct of Aggregator/Marketer.** South Jersey may terminate this A/M Agreement if the Aggregator/Marketer engages in certain prohibited conduct ("Prohibited Conduct"). The Prohibited Conduct shall include: (1) the failure to meet any financial obligation imposed by this A/M Agreement, or by the Tariff for Gas Service; (2) the conduct of business with the Seller which jeopardizes South Jersey's ability to serve customers of equal or higher priority to the members of the Customer Group under N.J.A.C. 14:29-3.2(a), irrespective of whether N.J.A.C. 14:29-3.2(a) is actually invoked; (3) the pursuit of any other conduct detrimental to the Company's system integrity; (4) failure of the Aggregator/Marketer to comply with South Jersey's "Transportation Operating Procedures and Protocols"; or (5) failure to comply with the Company's Tariff for Gas Service.

At least twenty-four hours notice of termination for Prohibited Conduct shall be given by the Company to the Aggregator/Marketer and the Customer Group, orally or in writing. Such notice shall specify the effective date of termination and the Prohibited Conduct which is the basis of termination. Termination for Prohibited Conduct shall not relieve the Aggregator/Marketer or members of the Customer Group of any responsibility or liability incurred prior to the effective date of the termination for Prohibited Conduct.

AGGREGATOR/MARKETER'S AGREEMENT (A/M)
(Continued)

12. **Force Majeure.** In the event of either party being rendered unable wholly or in part, by force majeure to carry out its obligations, other than the obligations to make payment of amounts accrued and due hereunder at the time thereof, it is agreed that on such party's giving notice and full particulars of such force majeure in writing or by e-mail to the other parties within a reasonable time after the occurrence of the cause relied on, the obligations of both parties, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused, but for no longer period. Such cause shall so far as possible be remedied with all reasonable dispatch.

No party shall be liable in damages to the other for any act, omission, or circumstances occasioned by, or in consequence of force majeure, as defined in the Company's Tariff for Gas Service~~, B.P.U.N.J. No. 11 Gas~~.

Such causes or contingencies affecting the performance by either party, however, shall not relieve it of liability unless such party shall give notice and full particulars of such cause or contingency in writing or by e-mail to the other party as soon as possible after the occurrence relied upon, nor shall such causes or contingencies affecting the performance by either party hereunder relieve it of liability in the event of its failure to use due diligence to remedy the situation, nor shall such causes or contingencies affecting the performance hereunder relieve the Aggregator/Marketer, Customer or Customer Group from their obligations to make payments of amounts then due hereunder in respect of all gas theretofore delivered.

13. **No Agency.** South Jersey will in no respect be deemed to be either the Aggregator's/Marketer's agent or representative nor any Customer's nor the Customer Group's agent or representative, for any purposes, and South Jersey shall not be responsible for making or carrying out any contracts or agreements for or related to this A/M Agreement on behalf of the Aggregator/Marketer, or of a Customer or Customer Group.

14. **Hold Harmless.** Aggregator/Marketer and Customers agree to hold South Jersey harmless and indemnify Seller, its officers and directors, from any cost, disbursement, charge or liability (including attorneys' fees), or any claims, suits, judgments, demands, actions or liability, arising directly or indirectly from Aggregator/Marketer's acts or omissions under this A/M Agreement or from the use of the Company's system by Aggregator/Marketer or a Customer or the Customer Group.

15. **Law to Govern and Forum.** This A/M Agreement shall be interpreted in accordance with the laws of the State of New Jersey. Any dispute arising under this A/M Agreement shall be subject to the jurisdiction of the Superior Courts of the State of New Jersey or federal courts within the State of New Jersey. South Jersey and Aggregator/Marketer agree that the Superior Courts of the State of New Jersey have personal jurisdiction over the parties and subject matter jurisdiction of ~~the~~ this A/M Agreement. Moreover, South Jersey and Aggregator/Marketer agree that as to actions in the Superior Court, venue is appropriate in Atlantic County New Jersey.

AGGREGATOR/MARKETER'S AGREEMENT (A/M)
(Continued)

16. **Binding Effect.** This A/M Agreement shall be binding upon the parties hereto, and their agents, successors and assigns.

17. **No Modification.** This A/M Agreement supersedes and cancels any other agreement dealing with the same subject matter. This A/M Agreement may not be modified, altered, or amended except by a written agreement, signed by the parties hereto.

18. **No Assignment.** This A/M Agreement shall not be assigned or be assignable by the Aggregator/Marketer or a Customer or Customers without the consent in writing of the Company first obtained.

19. **Marketer Standards.** Notwithstanding any other requirements of this A/M ~~Aggregator/Marketer's~~ Agreement, in order to operate as a Aggregator/Marketer on the Company's system, an Aggregator/Marketer must comply with all Board approved Marketer Standards.

SOUTH JERSEY GAS COMPANY

ATTEST:

____________________________________ By: ____________________________________
(Name)

____
(Title)

ATTEST:

(NAME OF AGGREGATOR/MARKETER)

____________________________________ By: ____________________________________
(Name)

____
(Title)

AGGREGATOR/MARKETER'S AGREEMENT (A/M)
(Continued)

APPENDIX A

This Appendix A is incorporated in and made part of that certain A/M Agreement dated _______________ , Agreement No._____________ , to which it is appended, and the same Agreement is incorporated into this Appendix A and made a part of this Appendix A. This Appendix A is dated_____________________________ .

(Name of Customer)	(Customer Account Number)
(Name of Customer)	(Customer Account Number)
(Name of Customer)	(Customer Account Number)
(Name of Customer)	(Customer Account Number)
(Name of Customer)	(Customer Account Number)
(Name of Customer)	(Customer Account Number)
(Name of Customer)	(Customer Account Number)

SOUTH JERSEY GAS COMPANY
Schedule of Rate Components
Appendix A - Effective________________

RESIDENTIAL GAS SERVICE (RSG) - NONHEAT CUSTOMER

	RIDER	RATE	PUA	NJ SALES TAX	TARIFF RATE
CUSTOMER CHARGE		12.250000		0.842188	**13.092188**
DELIVERY CHARGE (per therm):					
Base Rate		0.724583		0.049815	0.774398
TIC	C	(0.000942)	(0.000002)	(0.000065)	(0.001009)
SBC:					
RAC	E, G	0.009781	0.000022	0.000674	0.010477
CLEP	E, K	0.011879	0.000026	0.000818	0.012723
USF	E	0.011900	0.000000	0.000800	0.012700
Total SBC		0.033560	0.000048	0.002292	0.035900
CIP	M	0.024831	0.000055	0.001711	0.026597
EET	N	0.004268	0.000009	0.000294	0.004571
Balancing Service Charge BS-1	J	0.047100	0.000100	0.003200	0.050400
Balancing Service Charge BUY-OUT PRICE (Applicable to Transportation Customers Only)	J				Rate Set Monthly
TOTAL DELIVERY CHARGE		0.833400	0.000210	0.057247	**0.890857**
BGSS: (Applicable To Sales Customers Only)	A	0.330770	0.000728	0.022790	**0.354288**

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RESIDENTIAL GAS SERVICE (RSG) - HEAT CUSTOMER

	RIDER	RATE	PUA	NJ SALES TAX	TARIFF RATE
CUSTOMER CHARGE		12.250000		0.842188	**13.092188**
DELIVERY CHARGE (per therm):					
Base Rate		0.724583		0.049815	0.774398
TIC	C	(0.000942)	(0.000002)	(0.000065)	(0.001009)
SBC:					
RAC	E, G	0.009781	0.000022	0.000674	0.010477
CLEP	E, K	0.011879	0.000026	0.000818	0.012723
USF	E	0.011900	0.000000	0.000800	0.012700
Total SBC		0.033560	0.000048	0.002292	0.035900
CIP	M	0.068086	0.000150	0.004691	0.072927
EET	N	0.004268	0.000009	0.000294	0.004571
Balancing Service Charge BS-1	J	0.047100	0.000100	0.003200	0.050400
Balancing Service Charge BUY-OUT PRICE (Applicable to Transportation Customers Only)	J				Rate Set Monthly
Total Delivery Charge		0.876655	0.000305	0.060227	**0.937187**
BGSS: (Applicable To Sales Customers Only)	A	0.330770	0.000728	0.022790	**0.354288**

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GENERAL SERVICE (GSG)

	RIDER	RATE	PUA	NJ SALES TAX	TARIFF RATE
CUSTOMER CHARGE		32.250000		2.217188	**34.467188**
DELIVERY CHARGE (per therm):					
Base Rate		0.624256		0.042918	0.667174
TIC	C	(0.000942)	(0.000002)	(0.000065)	(0.001009)
SBC:					
RAC	E, G	0.009781	0.000022	0.000674	0.010477
CLEP	E, K	0.011879	0.000026	0.000818	0.012723
USF	E	0.011900	0.000000	0.000800	0.012700
Total SBC		0.033560	0.000048	0.002292	0.035900
CIP	M	0.054396	0.000120	0.003748	0.058264
EET	N	0.004268	0.000009	0.000294	0.004571
Balancing Service Charge BS-1	J	0.047100	0.000100	0.003200	0.050400
Balancing Service Charge BUY-OUT PRICE (Applicable to Transportation Customers Only)	J				Rate Set Monthly
Total Delivery Charge		0.762638	0.000275	0.052387	**0.815300**
BGSS: (Applicable To Sales Customers Only using less than 5,000 therms annually)	A	0.330770	0.000728	0.022790	**0.354288**
BGSS: (Applicable To Sales Customers Only using 5,000 therms annually or greater)	A				**RATE SET MONTHLY**

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GENERAL SERVICE-LV (GSG-LV)

	RIDER	RATE	PUA	NJ SALES TAX	TARIFF RATE
CUSTOMER CHARGE		150.000000		10.312500	**160.312500**
D-1 Demand Charge (Mcf)		12.250000		0.842200	**13.092200**
DELIVERY CHARGE (per therm):					
Base Rate		0.295286		0.020301	0.315587
TIC	C	(0.000942)	(0.000002)	(0.000065)	(0.001009)
SBC:					
RAC	E, G	0.009781	0.000022	0.000674	0.010477
CLEP	E, K	0.011879	0.000026	0.000818	0.012723
USF	E	0.011900	0.000000	0.000800	0.012700
Total SBC		0.033560	0.000048	0.002292	0.035900
CIP	M	0.016484	0.000036	0.001136	0.017656
EET	N	0.004268	0.000009	0.000294	0.004571
Balancing Service Charge BS-1	J	0.047100	0.000100	0.003200	0.050400
Balancing Service Charge BUY-OUT PRICE (Applicable to Transportation Customers Only)	J				Rate Set Monthly
Total Delivery Charge		0.395756	0.000191	0.027158	**0.423105**
BGSS: (Applicable Sales Customers Only)	A				**RATE SET MONTHLY**

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COMPREHENSIVE TRANSPORTATION SERVICE (CTS)

	RIDER	RATE	PUA	NJ SALES TAX	TARIFF RATE
FIRM					
CUSTOMER CHARGE		600.000000		41.250000	**641.250000**
D-1 Demand Charge (Mcf)		31.000000		2.131250	**33.131250**
DELIVERY CHARGE (per therm):					
Base Rate		0.093808		0.006449	0.100257
SBC:					
RAC	E, G	0.009781	0.000022	0.000674	0.010477
CLEP	E, K	0.011879	0.000026	0.000818	0.012723
USF	E	0.011900	0.000000	0.000800	0.012700
Total SBC		0.033560	0.000048	0.002292	0.035900
EET	N	0.004268	0.000009	0.000294	0.004571
Total Delivery Charge		0.131636	0.000057	0.009035	**0.140728**
Balancing Service Charge BS-1	I	0.011800	0.000000	0.000800	0.012600
Balancing Service Charge BS-1 (Opt Out Provision)	I	0.002500	0.000000	0.000200	0.002700
BUY-OUT PRICE					RATE SET MONTHLY
LIMITED FIRM					
CUSTOMER CHARGE		100.000000		6.875000	**106.875000**
DELIVERY CHARGE (per therm):					
Base Rate		0.058400		0.004000	0.062400
SBC:					
RAC	E, G	0.009781	0.000022	0.000674	0.010477
CLEP	E, K	0.011879	0.000026	0.000818	0.012723
USF	E	0.011900	0.000000	0.000800	0.012700
Total SBC		0.033560	0.000048	0.002292	0.035900
EET	N	0.004268	0.000009	0.000294	0.004571
Total Delivery Charge		0.096228	0.000057	0.006586	**0.102871**
Balancing Service Charge BS-1	I	0.011800	0.000000	0.000800	0.012600
Balancing Service Charge BS-1 (Opt Out Provision)	I	0.002500	0.000000	0.000200	0.002700
BUY-OUT PRICE					RATE SET MONTHLY

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LARGE VOLUME SERVICE (LVS)

	RIDER	RATE	PUA	NJ SALES TAX	TARIFF RATE
FIRM					
CUSTOMER CHARGE		900.000000		61.875000	**961.875000**
D-1 Demand Charge (Mcf)		18.000000		1.237500	**19.237500**
D-2 DEMAND BGSS(Applicable to Sales Customers Only)	A	14.882120	0.032741	1.025397	**15.940257**
DELIVERY CHARGE (per therm):					
Base Rate		0.061653		0.004239	0.065892
SBC:					
RAC	E, G	0.009781	0.000022	0.000674	0.010477
CLEP	E, K	0.011879	0.000026	0.000818	0.012723
USF	E	0.011900	0.000000	0.000800	0.012700
Total SBC		0.033560	0.000048	0.002292	0.035900
EET	N	0.004268	0.000009	0.000294	0.004571
Total Delivery Charge		**0.099481**	**0.000057**	**0.006825**	**0.106363**
Balancing Service Charge BS-1	I	0.011800	0.000000	0.000800	0.012600
Balancing Service Charge BS-1 (Opt Out Provision) (Applicable to Transportation Customers Only)	I	0.002500	0.000000	0.000200	0.002700
Balancing Service Charge CASH OUT CHARGE (CREDIT) (Applicable Transportaton Customers Only)	I				RATE SET MONTHLY
BGSS: (Applicable Sales Customers Only)	A				**RATE SET MONTHLY**
LIMITED FIRM					
		100.000000		6.875000	**106.875000**
DELIVERY CHARGE (per therm):					
		0.107800		0.007400	0.115200
SBC:					
RAC	E, G	0.009781	0.000022	0.000674	0.010477
CLEP	E, K	0.011879	0.000026	0.000818	0.012723
USF	E	0.011900	0.000000	0.000800	0.012700
Total SBC		0.033560	0.000048	0.002292	0.035900
EET	N	0.004268	0.000009	0.000294	0.004571
Total Delivery Charge		0.145628	0.000057	0.009986	**0.155671**
Balancing Service Charge BS-1	I	0.011800	0.000000	0.000800	0.012600
Balancing Service Charge BS-1 (Opt Out Provision) (Applicable to Transportation Customers Only)	I	0.002500	0.000000	0.000200	0.002700
BUY-OUT PRICE	I				RATE SET MONTHLY

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FIRM ELECTRIC SALES (FES)	RIDER	RATE	PUA	NJ SALES TAX	TARIFF RATE
WINTER					
D-1 DEMAND (MCF) (Rate is negotiated. Shown here is the benchmark rate.)		2.897200		0.199200	**3.096400**
D-2 DEMAND BGSS(MCF) (Applicable to Sales Customers Only)	A	7.441060	0.016370	0.512698	**7.970128**
DELIVERY CHARGE (per therm):					
SBC:					
RAC	E, G	0.009781	0.000022	0.000674	0.010477
CLEP	E, K	0.011879	0.000026	0.000818	0.012723
USF	E	0.011900	0.000000	0.000800	0.012700
Total SBC		0.033560	0.000048	0.002292	0.035900
EET	N	0.004268	0.000009	0.000294	0.004571
Total Delivery Charge		0.037828	0.000057	0.002586	**0.040471**
C-3 All Therms (Rate is negotiated. Shown here is the benchmark rate.)		0.162900		0.011200	**0.174100**
C-4 Escalator Rate (To be determined as prescribed in the Company's Tariff)					**RATE SET MONTHLY**
Balancing Service Charge CASH OUT CHARGE (CREDIT) (Applicable to Firm Transportatin Customers Only)	I				RATE SET MONTHLY
BGSS: (Applicable To Sales Customers Only)	A				**RATE SET MONTHLY**
SUMMER					
D-1 DEMAND (MCF) (Rate is negotiated. Shown here is the benchmark rate.)		2.897200		0.199200	**3.096400**
D-2 DEMAND BGSS(MCF) (Applicable to Sales Customers Only)	A	7.441060	0.016370	0.512698	**7.970128**
SBC:					
RAC	E, G	0.009781	0.000022	0.000674	0.010477
CLEP	E, K	0.011879	0.000026	0.000818	0.012723
USF	E	0.011900	0.000000	0.000800	0.012700
EET	N	0.004268	0.000009	0.000294	0.004571
Total Delivery Charge		0.037828	0.000057	0.002586	**0.040471**
C-3 All Therms (Rate is negotiated. Shown here is the benchmark rate.)		0.162900		0.011200	**0.174100**
C-4 Escalator Rate (To be determined as prescribed in the Company's Tariff)					**RATE SET MONTHLY**
Balancing Service Charge CASH OUT CHARGE (CREDIT) (Applicable to Firm Transportatin Customers Only)	I				RATE SET MONTHLY
BGSS: (Applicable To Sales Customers Only)	A				**RATE SET MONTHLY**

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ELECTRIC GENERATION SERVICE (EGS) - RESIDENTIAL	RIDER	RATE	PUA	NJ SALES TAX	TARIFF RATE
CUSTOMER CHARGE		9.000000		0.618800	**9.618800**
DELIVERY CHARGE (per therm):					
Base Rate		0.122100		0.008400	0.130500
SBC:					
RAC	E, G	0.009781	0.000022	0.000674	0.010477
CLEP	E, K	0.011879	0.000026	0.000818	0.012723
USF	E	0.011900	0.000000	0.000800	0.012700
Total SBC		0.033560	0.000048	0.002292	0.035900
EET	N	0.004268	0.000009	0.000294	0.004571
Balancing Service Charge BS-1	J	0.047100	0.000100	0.003200	0.050400
Total Delivery Charge		0.207028	0.000157	0.014186	**0.221371**
BGSS: (Applicable To Sales Customers Only)	A	0.330770	0.000728	0.022790	**0.354288**

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ELECTRIC GENERATION SERVICE (EGS) - COMMERCIAL/INDUSTRIAL	RIDER	RATE	PUA	NJ SALES TAX	TARIFF RATE
CUSTOMER CHARGE		75.000000		5.156250	**80.156250**
D-1 DEMAND (MCF)		8.250000		0.567188	**8.817188**
DELIVERY CHARGE (per therm):					
Base Rate - Winter Season (Nov - Mar)		0.152072		0.010455	0.162527
Base Rate - Summer Season (Apr - Oct)		0.122072		0.008392	0.130464
SBC:					
RAC	E, G	0.009781	0.000022	0.000674	0.010477
CLEP	E, K	0.011879	0.000026	0.000818	0.012723
USF	E	0.011900	0.000000	0.000800	0.012700
Total SBC		0.033560	0.000048	0.002292	0.035900
EET	N	0.004268	0.000009	0.000294	0.004571
Balancing Service Charge BS-1	J	0.047100	0.000100	0.003200	0.050400
Total Delivery Charge - Winter Season		0.237000	0.000157	0.016241	**0.253398**
Total Delivery Charge - Summer Season		0.207000	0.000157	0.014178	**0.221335**
BGSS: (Applicable To Sales Customers Only)	A				**RATE SET MONTHLY**

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ELECTRIC GENERATION SERVICE-LV (EGS-LV)	RIDER	RATE	PUA	NJ SALES TAX	TARIFF RATE
FIRM					
CUSTOMER CHARGE		900.000000		61.875000	**961.875000**
D-1 DEMAND (MCF) (Rate is negotiated. Shown here is the benchmark rate.)		26.539446		1.824587	**28.364033**
D-2 DEMAND BGSS (MCF) (Applicable to Sales Customers Only)	A	14.530362	0.031967	1.001160	**15.563489**
DELIVERY CHARGE (per therm):					
SBC:					
RAC	E, G	0.009781	0.000022	0.000674	0.010477
CLEP	E, K	0.011879	0.000026	0.000818	0.012723
USF	E	0.011900	0.000000	0.000800	0.012700
		0.033560	0.000048	0.002292	0.035900
EET	N	0.004268	0.000009	0.000294	0.004571
Total Delivery Charge		0.037828	0.000057	0.002586	**0.040471**
Balancing Service Charge BS-1	I	0.011800	0.000000	0.000800	0.012600
Balancing Service Charge BS-1 (Opt Out Provision)	I	0.002500	0.000000	0.000200	0.002700
Balancing Service Charge CASH OUT CHARGE (CREDIT) (Applicable to Firm Transportatin Customers Only)	I				RATE SET MONTHLY
BGSS: (Applicable To Sales Customers Only)	A				**RATE SET MONTHLY**
LIMITED FIRM					
D-2 DEMAND BGSS(MCF) (Applicable to Sales Customers Only)	A	7.441060	0.016370	0.512698	**7.970128**
DELIVERY CHARGE (per therm):					
SBC:					
RAC	E, K	0.009781	0.000022	0.000674	0.010477
CLEP	E, G	0.011879	0.000026	0.000818	0.012723
USF	E	0.011900	0.000000	0.000800	0.012700
		0.033560	0.000048	0.002292	0.035900
EET	N	0.004268	0.000009	0.000294	0.004571
Total Delivery Charge		0.037828	0.000057	0.002586	**0.040471**
C-3 (Rate is negotiated. Shown here is the benchmark rate.)		0.162900		0.011200	**0.174100**
Balancing Service Charge BS-1	I	0.011800	0.000000	0.000800	0.012600
Balancing Service Charge BS-1 (Opt Out Provision)	I	0.002500	0.000000	0.000200	0.002700
Balancing Service Charge CASH OUT CHARGE (CREDIT) (Applicable to Firm Transportatin Customers Only)	I				RATE SET MONTHLY
BGSS: (Applicable To Sales Customers Only)	A				**RATE SET MONTHLY**

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	RIDER	RATE	PUA	NJ SALES TAX	TARIFF RATE
YARD LIGHTING SERVICE (YLS)					
MONTHLY CHARGE / INSTALL		14.772511		1.015610	**15.788121**
STREET LIGHTING SERVICE (SLS)					
MONTHLY CHARGE / INSTALL		17.881647		1.229363	**19.111010**
INTERRUPTIBLE GAS SALES (IGS)					
Commodity					Rate Set Monthly
SBC:					
RAC	E, K	0.009781	0.000022	0.000674	0.010477
USF	E	0.011900	0.000000	0.000800	0.012700
Total SBC:		0.021681	0.000022	0.001474	0.023177
EET	N	0.004268	0.000009	0.000294	0.004571

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INTERRUPTIBLE TRANSPORTATION (ITS)		RIDER	RATE	PUA	NJ SALES TAX	TARIFF RATE
CUSTOMER CHARGE			**100.000000**		**6.875000**	**106.875000**
TRANSPORTATION CHARGE A			**0.028400**		**0.002000**	**0.030400**
SBC:						
RAC		E, K	0.009781	0.000022	0.000674	0.010477
CLEP		E, G	0.011879	0.000026	0.000818	0.012723
USF		E	0.011900	0.000000	0.000800	0.012700
	Total SBC:		0.033560	0.000048	0.002292	0.035900
EET		N	0.004268	0.000009	0.000294	0.004571
TRANSPORTATION CHARGE B			**0.093200**		**0.006400**	**0.099600**
SBC:						
RAC		E, K	0.009781	0.000022	0.000674	0.010477
CLEP		E, G	0.011879	0.000026	0.000818	0.012723
USF		E	0.011900	0.000000	0.000800	0.012700
	Total SBC:		0.033560	0.000048	0.002292	0.035900
EET		N	0.004268	0.000009	0.000294	0.004571
TRANSPORTATION CHARGE C			**0.153200**		**0.010500**	**0.163700**
SBC:						
RAC		E, K	0.009781	0.000022	0.000674	0.010477
CLEP		E, G	0.011879	0.000026	0.000818	0.012723
USF		E	0.011900	0.000000	0.000800	0.012700
	Total SBC:		0.033560	0.000048	0.002292	0.035900
EET		N	0.004268	0.000009	0.000294	0.004571

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		RATE	PUA	NJ SALES TAX	TARIFF RATE
NATURAL GAS VEHICLE (NGV)					
COMPANY OPERATED FUELING STATIONS					
DELIVERY CHARGE (per therm):					
SBC					
RAC	E, K	0.009781	0.000022	0.000674	0.010477
CLEP	E, G	0.011879	0.000026	0.000818	0.012723
USF	E	0.011900	0.000000	0.000800	0.012700
Total SBC:		0.033560	0.000048	0.002292	0.035900
EET	N	0.004268	0.000009	0.000294	0.004571
Total Delivery Charge		0.037828	0.000057	0.002586	**0.040471**
DISTRIBUTION CHARGE		0.169726	0.000373	0.0116940	**0.181793**
COMPRESSION CHARGE		0.573327	0.001261	0.039503	**0.614091**
Balancing Service Charge BS-1	I	0.011800	0.000000	0.000800	0.012600
Balancing Service Charge BS-1 (Opt Out Provision) (Applicable for Transportation Customers Only)	I	0.002500	0.000000	0.000200	0.002700
Balancing Service Charge BS-1	J	0.047100	0.000100	0.003200	0.050400
BGSS: (Applicable To Sales Customers Only)	A				**RATE SET MONTHLY**
CUSTOMER OPERATED FUELING STATIONS					
CUSTOMER CHARGE					
0 - 999 CF/hour		37.500000		2.578100	**40.078100**
1,000 - 4,999 CF/hour		75.000000		5.156300	**80.156300**
5,000 - 24,999 CF/hour		200.000000		13.750000	**213.750000**
25,000 or Greater CF/hour		900.000000		61.875000	**961.875000**
DELIVERY CHARGE (per therm):					
SBC					
RAC	E, K	0.009781	0.000022	0.000674	0.010477
CLEP	E, G	0.011879	0.000026	0.000818	0.012723
USF	E	0.011900	0.000000	0.000800	0.012700
Total SBC:		0.033560	0.000048	0.002292	0.035900
EET	N	0.004268	0.000009	0.000294	0.004571
Total Delivery Charge		0.037828	0.000057	0.002586	**0.040471**
DISTRIBUTION CHARGE		0.169726	0.000373	0.011694	**0.181793**
Balancing Service Charge BS-1	I	0.011800	0.000000	0.000800	0.012600
Balancing Service Charge BS-1 (Opt Out Provision) (Applicable for Transportation Customers Only)	I	0.002500	0.000000	0.000200	0.002700
Balancing Service Charge BS-1	J	0.047100	0.000100	0.003200	0.050400
BGSS: (Applicable To Sales Customers Only)	A				**RATE SET MONTHLY**
Facilities Charge (Applicable only to Customers that elect the Company construct Compressed Natural Gas ("CNG") fueling Facilities located on Customer's property)					**0.376764**

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Heat Residential Rate Schedule:

	RSG FSS	RSG-FTS	Difference
BGSS	0.354288	0.000000	0.354288
Base Rate	0.774398	0.774398	0.000000
CLEP	0.012723	0.012723	0.000000
RAC	0.010477	0.010477	0.000000
CIP	0.072927	0.072927	0.000000
USF	0.012700	0.012700	0.000000
TIC	(0.001009)	(0.001009)	0.000000
EET	0.004571	0.004571	0.000000
BSC "J" BS-1	0.050400	0.050400	0.000000
Price to Compare	1.291475	0.937187	0.354288

NonHeat Residential Rate Schedule:

	RSG FSS	RSG-FTS	Difference
BGSS	0.354288	0.000000	0.354288
CIP	0.026597	0.026597	0.000000
Base Rate	0.774398	0.774398	0.000000
CLEP	0.012723	0.012723	0.000000
RAC	0.010477	0.010477	0.000000
USF	0.012700	0.012700	0.000000
TIC	(0.001009)	(0.001009)	0.000000
EET	0.004571	0.004571	0.000000
BSC "J" BS-1	0.050400	0.050400	0.000000
Price to Compare	1.245145	0.890857	0.354288

GSG
(Under 5,000 therms annually)

	GSG FSS	GSG-FTS	Difference
BGSS	0.354288	0.000000	0.354288
CIP	0.058264	0.058264	0.000000
Base Rates	0.667174	0.667174	0.000000
CLEP	0.012723	0.012723	0.000000
RAC	0.010477	0.010477	0.000000
USF	0.012700	0.012700	0.000000
TIC	(0.001009)	(0.001009)	0.000000
EET	0.004571	0.004571	0.000000
BSC "J" BS-1	0.050400	0.050400	0.000000
Price to Compare	1.169588	0.815300	0.354288

GSG
(5,000 therms annually or greater)

	GSG FSS	GSG-FTS	Difference
BGSS	0.595157	0.000000	0.595157
CIP	0.058264	0.058264	0.000000
Base Rates	0.667174	0.667174	0.000000
CLEP	0.012723	0.012723	0.000000
RAC	0.010477	0.010477	0.000000
USF	0.012700	0.012700	0.000000
TIC	(0.001009)	(0.001009)	0.000000
EET	0.004571	0.004571	0.000000
BSC "J" BS-1	0.050400	0.050400	0.000000
Price to Compare	1.410457	0.815300	0.595157

GSG-LV

	Prior to 7/15/97		
	GSG-LV FSS	GSG-LV-FTS	Difference
BGSS	0.595157	0.000000	0.595157
CIP	0.017656	0.017656	0.000000
Base Rates	0.315587	0.315587	0.000000
CLEP	0.012723	0.012723	0.000000
RAC	0.010477	0.010477	0.000000
USF	0.012700	0.012700	0.000000
TIC	(0.001009)	(0.001009)	0.000000
EET	0.004571	0.004571	0.000000
BSC "J" BS-1	0.050400	0.050400	0.000000
Price to Compare	1.018262	0.423105	0.595157

APPLIANCE REPAIR SERVICE (ARS)

APPLICABLE TO USE OF SERVICE FOR:

Service pursuant to this Rate Schedule ARS, shall be available to all persons or other entities.

CHARACTER OF SERVICE:

Repair and servicing of appliances.

FLOOR RATES:

Competitive Services:

Standard Rates:	$85.36 per hour (minimum charge - $28.45)
Non-Standard Rates:	$128.04 per hour (minimum charge - $42.68)

Non-Competitive Services:

Standard Rates:	$83.00 per hour (minimum charge - $28.00)
Non-Standard Rates:	$124.50 per hour (minimum charge - $42.00)

PRICES:

Competitive Services:

Standard Rates:	$124.95 per hour (minimum charge - $59.00)
Non-Standard Rates:	$187.43 per hour (minimum charge - $88.50)

Non-Competitive Services:

Standard Rates:	$83.00 per hour (minimum charge - $28.00)
Non-Standard Rates:	$124.50 per hour (minimum charge - $42.00)

SALES AND USE TAX:

All charges pursuant to this Rate Schedule ARS shall be adjusted to reflect appropriate New Jersey Sales and Use Taxes.

FREE SERVICES:

Upon a customer's request, the Company will provide, without charge, certain services designated as Free Services, as set forth in Special Provision (d).

TERMS OF PAYMENT:

Payment of all bills must be received in full at the Company's designated office within fifteen (15) days of the billing date; provided, however, the Company shall take into account any postal service delays of which the Company is advised. If the fifteenth (15th) day falls on a nonbusiness day, the due date shall be extended to the next business day. Should the customer fail to make payment as specified, the Company

APPLIANCE REPAIR SERVICE (ARS)
(continued)

may, beginning on the twenty-sixth (26th) day, assess simple interest at a rate equal to the prime rate as published in the Money Rates column in The Wall Street Journal. Service to State, county or municipal government entities will not be subject to a late payment charge.

LIMITS OF COVERAGE:

All equipment must be manufactured, installed and maintained in accordance with the National Fuel Gas Code; certified by the American Gas Association, the Underwriters Laboratories or similar natural gas industry trade organizations; installed in accordance with local, state, and federal law; and satisfy both manufacturer's and the Company's requirements for safe and proper installation. Our response time shall be determined by scheduling priorities that consider public safety, health and welfare, existing work loads, nature or science, and prevailing weather conditions.

SPECIAL PROVISIONS:

(a) The Non-Standard Rates will be charged on weekends, holidays and other than normal working hours (8:00 a.m. to 4:30 p.m.). The Standard Rates will be charged at all other times.

(b) The following list shall constitute Competitive Services

Repair of Hot Water Heater
Repair of House Heater

(c) The following list shall constitute Non-Competitive Services:

Changed Location of Facilities
Changed Location of Meter
Changed Location of Service
Installed Remote Meter Device

(d) The following list shall constitute Free Services:

1. Investigate appliance flashbacks.
2. Inspecting new appliance and/or installation.
3. Meter changes.
4. Advisory service to assure safe operation of gas appliances.
5. Turning on or turning off gas heaters when work is performed in conjunction with meter set orders, turn on order or turn off orders.
6. Instructing customers in the proper use, operation and maintenance of appliances. Instructing heating customers in the procedure of turning on house heater.
7. Any call made to place an appliance in a safe condition. A safe condition will result if a valve is shut off and/or the appliance is disconnected.
8. Investigating gas leaks and odors.
9. Meter turn offs.
10. New equipment startup.

APPLIANCE REPAIR SERVICE (ARS)
(continued)

11. Preliminary investigation for appliance installation.
12. Reported no gas or poor pressure.
13. Gas leak repairs at meter and upstream piping.
14. A service order which is canceled before the service person arrives or if it is canceled by the Company.
15. Carbon monoxide services.
16. Pilot light up services from November 1 through August 31 of each year.

(e) The Company may not charge less than the Floor Rates set forth in the Floor Rates section of this Rate Schedule ARS, plus New Jersey Sales and Use Taxes.

(f) The charges set forth in this Rate Schedule ARS are for labor only, and not for appliance repair parts. Repair parts associated with services under this Rate Schedule ARS shall not be priced below cost to the Company.

Direct Testimony
of
Thomas S. Kavanaugh
Controller
South Jersey Gas Company
January 2017

I. INTRODUCTION

Q. Please state your name, affiliation and business address.

A. My name is Thomas S. Kavanaugh. I am the Controller of South Jersey Industries, Inc. and South Jersey Gas Company ("South Jersey", the "Company", or "SJG") and my business address is One South Jersey Plaza, Folsom, New Jersey 08037.

Q. Please summarize your educational background and industry related experience.

A. I am a licensed Certified Public Accountant in the State of New Jersey and I graduated with Highest Honors from Rutgers University in 1988 with a Bachelor of Arts Degree and a major in Accounting. In 2001, I graduated with Highest Honors from Rutgers University's graduate program obtaining a Masters in Business Administration Degree with a concentration in Finance.

From September 1988 to December 1990, I worked for the Big Four public accounting firm of Deloitte, LLP. During that time, I served as a staff auditor for a diverse client base, including South Jersey and its parent company, South Jersey Industries, Inc. In January 1991, I joined South Jersey as a staff accountant in the General Accounting Department. I was promoted to Supervisor, Financial Reporting in April 1991 and held that position until July 1994 when I was named Manager, General Accounting. In this position my duties were expanded to encompass all of South Jersey's general accounting functions. I held that position until July 1999 when I was promoted to the position of Director, General Accounting, at which time I assumed responsibility for the corporate tax function of South Jersey. I served as Director, General Accounting until I was elected to my current position of Controller of the Company in January 2002. In 2016, I also became Vice President and Controller of South Jersey Industries, Inc. In the role of Controller, I am responsible for providing leadership and strategic direction for the Company's accounting, financial systems and public reporting activities.

I have assisted in the preparation of the accounting testimony in two of South Jersey's previous base rate proceedings (1993 and 1996). Further, I directly prepared the accounting testimony in South Jersey's base rate proceedings filed in 2003 (Docket No. GR03080683), 2010 (Docket No. GR10010035) and 2013 (Docket No. GR13111137).

I serve as an active member of the New Jersey Utilities Association's ("NJUA" or "Association") Finance and Regulations Committee. I also served as the chairman of that committee from 2005 through 2009, and as vice chairman of one of its predecessor committees, the Accounting and Tax Committee, from 2002 to 2004. The purpose of this NJUA committee is to provide policy advice to the Association on emerging issues and other developments involving: i) current and proposed accounting and tax regulations and requirements, ii) regulatory proposals and decisions of the BPU and the Office of Administrative Law, and iii) policies and best practices on corporate governance. I am also a member of the American Gas Association (AGA) and serve on its Accounting Principles Committee.

South Jersey's books of account are maintained in accordance with generally accepted accounting principles and in accordance with the applicable Uniform System of Accounts prescribed by the Board of Public Utilities (Board or BPU) of the State of New Jersey. Stringent internal controls and procedures are in place to comply with the Sarbanes-Oxley Act of 2002. Such controls and procedures are used to assure that the transactions, which are the basis for the entries in the books of account, are accurately reflected. The effectiveness of such controls are evaluated and certified annually. Further, the financial statements of the Company are audited annually by Deloitte & Touche, LLP, the Company's independent audit firm.

South Jersey also maintains an internal audit staff which regularly performs various audits on the Company's controls, practices and procedures. In addition, the Company is subject to audits by BPU Staff, as well as several State and Federal agencies.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to provide an analysis of the historical balance sheets and income statements that are being provided in accordance with the requirements of N.J.A.C. 14:1-5.12. I have also prepared and discussed pro forma adjustments to operating income for Federal and State income taxes, deferred Federal and State income tax adjustments to rate base, incremental depreciation expense for post-test year construction, and an update to the Company's non-legal asset retirement obligation amortization (a credit to depreciation expense).

Also included in my testimony are the following discussions related to pension and other postretirement benefits: (1) a discussion and pro forma adjustment to operating income for the amortization of deferred pension costs related to the incremental increase in expense associated with the change in mortality tables released by the Society of Actuaries in October 2014; (2) a request for deferred accounting treatment to address a new accounting pronouncement related to pension and postretirement healthcare costs that will limit the capitalization of such costs on the books of the Company, thereby increasing operating expense; and (3) a request to modify the funding requirement of the Company's postretirement benefits other than pension costs ("PBOP") to adjust automatically with each rate case approval.

Q. **Are you providing Schedules in support of the topics you intend to cover in your Testimony?**

A. Yes. Below are the Schedules attached to my Direct Testimony, prepared either by me or under my direct supervision, which will be discussed in subsequent sections hereof.

- Schedule TSK-1 Comparative Balance Sheets

- Schedule TSK-2 Summary Utility Plant by Functional Categories
- Schedule TSK-3 Detail Utility Plant by Primary Account
- Schedule TSK-4 Accumulated Provision for Depreciation & Amortization
- Schedule TSK-5 Comparative Statements of Income
- Schedule TSK-6 Utility Throughput, Operating Revenues, Customers & Degree Days
- Schedule TSK-7 Operating Expenses
- Schedule TSK-8 Taxes Other than Income Taxes
- Schedule TSK-9 Statement of Retained Earnings
- Schedule TSK-10 Balance Sheet at Most Recent Period Certified
- Schedule TSK-11 Payments and Accruals to Affiliated Companies
- Schedule TSK-12A Adjusted Test Year Deferred FIT Included in Rate Base
- Schedule TSK-12B Adjusted Test Year Deferred CBT Included in Rate Base
- Schedule TSK-13 Pro Forma Depreciation Expense & Accumulated Depreciation
- Schedule TSK-13A Pro Forma Non-Legal Asset Retirement Obligation
- Schedule TSK-14 Pro Forma Income Taxes
- Schedule TSK-15 Pro Forma Pension Expense

III. COMPARATIVE BALANCE SHEETS

Q. Please provide an explanation of the significant changes in the Company's balance sheet for the most recent three year period.

A. Balance sheets for the years ending December 31, 2013, 2014 and 2015 are reflected in Schedule TSK-1, pages 1 & 2, and significant changes are explained as follows:

Utility Plant (Page 1 of 2, Line 2)

Gas Plant in Service has increased from $1.8 billion as of December 31, 2013 to $2.2 billion as of December 31, 2015. This increase of $394.4 million, or 21.7%, is primarily due to increases from continuing property additions which are necessary to provide safe and reliable service to our customers. In addition, the Company also made incremental investments in Utility Plant under its Accelerated Infrastructure Replacement Program ("AIRP") and Storm Hardening and Reliability Program ("SHARP"). In 2013 and 2014, a total of $244.7 million in incremental capital spending was approved by the BPU under these two programs.

Accumulated Depreciation (Page 1 of 2, Line 3)

The increase in Accumulated Depreciation of $48.4 million from December 31, 2013 to December 31, 2015 is primarily due to the continuing depreciation of utility plant, net of retirements.

Available-For-Sale Securities (Page 1 of 2, Line 8)

This line represents the Company's Rabbi Trust which was established as a funding vehicle for South Jersey's postretirement benefit plans other than pensions. Net investment returns over the 2 year period were relatively flat, resulting in little movement from 2013 to 2015.

<u>Restricted Investments</u> (Page 1 of 2, Line 9)

South Jersey maintains a margin account in connection with its energy risk management activities. The funds required to be maintained will increase or decrease as the number and value of outstanding energy-related contracts changes. The increase of $6.1 million from December 31, 2013 to December 31, 2015 is primarily due to a decrease in open trade equity driven by the increase in NYMEX values for new 2015 positions.

<u>Notes Receivable (Page 1 of 2, Line 15)</u>

This line represented funds advanced to ACDEVCO, a not-for-profit organization formed to spur economic development in Atlantic City, New Jersey, in connection with the Atlantic City Gateway Project and the Company's construction of a headquarters building in Atlantic City (discussed further in the Direct Testimony of David Robbins, Jr.). South Jersey held a first lien security interest on land in Atlantic City as collateral against the note, which produced interest at a rate of one percent. Advancement of these funds was necessary for the Company to secure the purchase of the property at a favorable price. Had SJG not advanced these funds to ACDEVCO, the property could have been sold to another purchaser and jeopardized the Atlantic City Gateway Project. The note was repaid in full during 2016.

<u>Accounts Receivable</u> (Page 1 of 2, Line 16)

Accounts Receivable increased $3.9 million from December 31, 2014 to December 31, 2015, primarily due to 6,246 net customer additions and an increase in customer non-payments resulting from unfavorable economic circumstances impacting the Company's service territory, including job losses associated with the closing of multiple hotel and casino properties in Atlantic City (discussed further in the Direct Testimony of Paul Moul). Accounts Receivable was relatively flat from December 31, 2013 to December 31, 2014, showing only a $0.2 million increase.

<u>Accounts Receivable – Related Parties</u> (Page 1 of 2, Line 17)

Accounts Receivable - Related Parties increased $200,000 from December 31, 2013 to December 31, 2014.

Accounts Receivable - Related Parties increased $0.8 million from December 31 2014 to December 31, 2015, primarily due to an additional increase in Off-System Sales made to South Jersey Resources Group in December 2015.

<u>Unbilled Revenue</u> (Page 1 of 2, Line 18)

Unbilled Revenues are primarily a function of the number of customers, the customers' average use per degree day, and the number of degree days during the unbilled period.

Unbilled Revenues increased $8.4 million from December 31, 2013 to December 31, 2014 primarily due to temperatures that were 4.6% colder in 2014 compared to 2013 and 4,598 net customer additions from the previous year.

Unbilled Revenues decreased $24.3 million from December 31, 2014 to December 31, 2015 due to temperatures that were 43.1% warmer during the month of December 2015, as compared to December 2014, as well as lower Basic Gas Supply Service (“BGSS”) rates in effect during December 2015, as compared to December 2014. Partially offsetting these decreases were 6,246 net customer additions.

<u>Provision for Uncollectibles</u> (Page 1 of 2, Line 19)

The Provision for Uncollectibles fluctuates as the balance of customer accounts receivable changes from period to period. The provision increased $3.2 million from December 2014 to December 2015, primarily due to refining the calculation in 2015 by utilizing the new customer billing system to update the percentages charged to the various ages of outstanding receivables.

The provision increased $2.1 million from December 2013 to December 2014, primarily due to slightly higher reserve rates on the outstanding receivables. See previous discussion of Accounts Receivable for additional information.

<u>Natural Gas in Storage</u> (Page 1 of 2, Line 20)

Natural Gas in Storage increased $4.5 million from December 31, 2013 to December 31, 2014, primarily because of increased transportation costs associated with Liquefied Natural Gas (LNG) deliveries. This was due to LNG being sourced from plants in the Midwest during 2014 after arrangements with our historical suppliers ended. At December 31, 2013, the Company had 399,359 Mcf of LNG at $8.046 per Mcf. At December 31, 2014, the Company had 382,509 Mcf of LNG at an average cost of $17.2039 per Mcf.

Natural Gas in Storage decreased $11.0 million from December 31, 2014 to December 31, 2015, primarily due to lower natural gas prices during the 2015 inventory injection period. At December 31, 2015, the Company had 5.2 MMdts of natural gas in storage at an average cost of $1.97 per dt. At December 31, 2014, the Company had 4.9 MMdts of natural gas in storage at an average price of $3.86 per dt.

<u>Deferred Income Taxes - Net</u> (Page 1 of 2, Line 22)

This Deferred Income Tax asset account reflects the current portion (expected to be settled within 12 months) of the net deferred Federal and State Income Tax assets and liabilities created by temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for the Company's Federal and State tax returns in accordance with FASB ASC Topic 740 – "Income Taxes" (formerly SFAS No. 109, "Accounting for Income Taxes"). The current deferred tax provision has been in a net asset position since December 31, 2011 due to a net operating loss carry forward resulting from the IRS approval of 100% bonus depreciation for the tax year 2011, followed by 50% bonus depreciation in the years that followed. As of December 31, 2015, accounting rules changed with the adoption of Accounting Standards Update (ASU) 2015-17, which eliminated the requirement to segregate deferred tax assets and liabilities between current and non-current due to the significant subjectivity and complexity in performing such calculations for financial reporting purposes. As of December 31, 2015, there is no longer a current portion of deferred taxes calculated or presented on the books of the Company, as required under current GAAP.

<u>Prepaid Taxes</u> (Page 1 of 2, Line 23)

Prepaid Taxes is currently comprised of two (2) taxes that are mandated to be prepaid during the course of each year – New Jersey Corporate Business Tax and New Jersey Sales and Use Tax. During 2013, the Transitional Energy Facilities Assessment, which was eliminated January 1, 2014, was also included in prepaid taxes. These amounts result in a significant cash requirement in terms of prepayments by South Jersey to the State each year for which the Company must wait until the subsequent year to receive a credit for such prepaid amounts. Since such payments are based on the "expected" results of the Company, and actual results may inevitably vary, the prepaid position at the end of each year will fluctuate from year to year.

<u>Derivatives – Energy Related Assets/Liabilities</u> (Page 1 of 2, Lines 24 and 33; Page 2 of 2, Lines 21 & 38)

Increases and decreases result from changes in the market value of derivative contracts used to hedge our natural gas purchases. It should be noted that these contracts are adjusted to fair value for balance sheet presentation only and have no impact on earnings, or our customers, until such contracts are settled through the Company's BGSS upon cash settlement.

<u>Other Prepayments and Current Assets</u> (Page 1 of 2, Line 25)

Other Prepayments and Current Assets increased $9.7 million from December 31, 2014 to December 31, 2015, primarily due to the approval of the Company's

Energy Efficiency Program (EEP) extension. The Company utilizes a third party to manage the loan programs and is required to maintain a minimum balance with the third party. This prefunding subsequently converts into EEP loans and moves out of this account and into Accounts Receivable. Please see the discussion under Long-Term Receivables, below, for additional information.

Regulatory Assets **(Page 1 of 2, Line 30)**

Regulatory Assets increased $61.1 million from December 31, 2013 to December 31, 2014, primarily due to the following factors:

(1) The projection of future expenses for environmental remediation costs increased by $4.8 million based on ongoing investigation and changing remediation work plans.

(2) Deferred Pension and Other Postretirement Benefit Costs increased $39.8 million to reflect changes in the funded positions of these benefit plans caused by a decrease in the discount rate and new mortality tables adopted by the Society of Actuaries in October 2014. This immediately had a significant negative impact on the funded status of the plan for balance sheet purposes, but it also had a material impact on the plan expense in the years that followed, as discussed later herein. While the Company strives to maintain a well-funded qualified pension plan, decreasing discount rates and increases in life expectancies in the newly adopted mortality tables in 2014 drove up the value of the liability, which resulted in a larger funding deficit at December 31, 2014. In January 2015, the Company made a $12.0 million contribution to its plans to improve the funding shortfall.

(3) Deferred Fuel Costs increased $32.2 million primarily due to the actual cost of the commodity incurred during 2014 exceeding the gas cost recovered from customers as a result of higher prices. The weighted average cost of gas increased from $3.95/dt in January 2013 to $9.51/dt in January 2014, primarily due to weather that was 24.8% colder in January 2014 as compared to January 2013, due to the polar vortex that affected our region. Offsetting these increases were a $10.5 million decrease in the Conservation Incentive Program ("CIP"), primarily due to weather that was colder than normal resulting in an over-recovery from customers, and a $10.0 million decrease in the Societal Benefits Clause ("SBC") receivable due to two increases to the Clean Energy Program (CLEP) rate effective August 1, 2013 and October 1, 2014.

Regulatory Assets decreased $33.7 million from December 31, 2014 to December 31, 2015, primarily due to the following factors:

(1) Deferred Pension and Other Postretirement Benefit Costs decreased $19.2 million to reflect changes in the funded positions of these benefit plans caused by changes in actual plan experience, as well as assumptions of future experience. While discount rates continued to negatively impact the funded status of the plans in 2015, improvements in the equity market returns that partially offset the negative impact of the decreasing discount rates.

(2) The Energy Efficiency Tracker ("EET") associated with our EEPs decreased $10.7 million due to the EEP extension approved in 2015. Please see Other Prepayments and Current Assets, above, for additional information.

Long-Term Receivables **(Page 1 of 2, Line 32)**

The increase of the Long-Term Receivables balance from December 31, 2013 through December 31, 2015 is primarily due to the issuance of loans to customers under the BPU approved EEP program. The current portion of these receivables is reflected in Accounts Receivable and the non-current portion is reflected in Long-Term Receivables on the balance sheet.

Accumulated Other Comprehensive Loss **(Page 2 of 2, Line 6)**

Accumulated Other Comprehensive Loss (AOCL) increased $2.0 million from December 31, 2013 through December 31, 2015, primarily due to losses in the Company's postretirement plans (pension and postretirement healthcare). These losses resulted from lower discount rates used to determine the book liabilities of the Company and the use of updated mortality tables. Losses created by changes in discount rates do not immediately impact expense of the Company. Rather, they are charged to AOCL and amortized to expense over the average remaining service period of participating employees expected to receive benefits under each plan, which approximates 10 years for the plans.

Retained Earnings **(Page 2 of 2, Line 7)**

The increase in Retained Earnings from $390.0 million at December 31, 2013 to $464.1 million at December 31, 2015 represents the balance of the Company's earnings after dividends were paid out during this two year period.

Long-Term Debt **(Page 2 of 2, Line 11, including Current Portion, Line 17)**

Long-Term debt, including current maturities, increased $68.0 million from December 31, 2013 to December 31, 2014 as a result of the Company issuing $30 million aggregate principal amount of 4.23% Medium Term Notes ("MTN") due January 2030, and borrowing an aggregate of $59 million on a $200 million multi-draw term facility offered by a syndicate of banks, which expires in June 2017. This was offset by the retirement of $11 million aggregate principal amount of 4.52% MTNs and $10 million aggregate principal amount of 5.115% MTNs, both at maturity.

Long-Term Debt increased $69.0 million from December 31, 2014 to December 31, 2015 as a result of the Company borrowing an aggregate of $80 million on a $200 million multi-draw term facility offered by a syndicate of banks, which expires in June 2017, offset by the retirement of $10 million aggregate principal amount of 5.387% MTNs at maturity, a payment of $0.9 million toward the principal amount of 3.63% MTNs due December 2025 and a payment of $0.1 million toward the principal amount of variable rate demand bonds due February 2036. These funds were primarily used to support South Jersey's capital program.

<u>Notes Payable</u> (Page 2 of 2, Line 16)

The increase in Notes Payable of $35.9 million and $33.0 million from December 31, 2013 to December 31, 2014 and December 31, 2014 to December 31, 2015, respectively, primarily resulted from an increase in the Company's capital program stemming from its investments in maintaining the reliability and safety of its system as well as its AIRP and SHARP programs, as previously discussed. Capital investments, inclusive of the AIRP and SHARP, totaled $161.5 million, $200.0 million and $207.8 million for the years 2013, 2014 and 2015, respectively.

<u>Current Maturities of Long-Term Debt</u> (Page 2 of 2, Line 17)

See above discussion under Long-Term Debt.

<u>Accounts Payable - Commodity</u> (Page 2 of 2, Line 18)

Since commodity costs are settled by the end of the subsequent month, the balance at year end reflects the purchasing activity during the month of December in each respective year. The decrease of $1.9 million from December 31, 2013 to December 31, 2014 was due to the slightly lower level of purchases in December 2014.

The decrease of $13.4 million from December 31, 2014 to December 31, 2015 was due to a lower level of purchases in December 2015 at much lower average unit prices. Weather was 43% warmer in December 2015 compared to 2014, resulting in the Company purchasing less natural gas. Also during December 2015, the unit cost of gas declined $2.05/dt to $2.19/dt from December 2014, adding to the impact of the lower purchasing activity.

<u>Accounts Payable - Other</u> (Page 2 of 2, Line 19)

Accounts Payable - Other includes accrued liabilities to contractors for construction projects, accrued employee payroll, operating expenses payable, accrued liabilities for billings services performed for gas marketers, and other miscellaneous accruals. The variances between year-end balances are due to normal timing differences resulting from the timing of incurring such liabilities and the cash settlement of such liabilities. Due to the increase in the Company's capital spending in recent years, this account has become more volatile.

<u>Accounts Payable – Related Parties</u> (Page 2 of 2, Line 20)

Accounts Payable - Related Parties includes amounts due to SJRG for gas purchases, amounts due to South Jersey Energy Company ("SJE") as a marketer, and amounts due to South Jersey Energy Service Plus, LLC ("SJESP") for customer payments received through our billing services.

The increase of $4.6 million from December 31, 2013 to December 31, 2014 was primarily due to more gas purchases from SJRG in December 2014 at a higher average unit price, accounting for $2.9 million of the increase.

The decrease of $3.7 million from December 31, 2014 to December 31, 2015 was primarily due to a $2.5 million decrease in the cost of gas purchased from SJRG as a result of more dts being purchased at a significantly reduced average unit price as compared to December 2014. During December 2014, SJRG delivered 943,008 dts at an average of $5.05/dt for a total cost of $4.8 million and during December 2015 SJRG delivered 1,415,535 dts at an average of $1.60/dt for a total cost of $2.3 million.

<u>Customer Deposits and Credit Balances</u> (Page 2 of 2, Line 22)

The Customer Deposit accounts approximated $15.1 million, $17.6 million and $19.5 million as of December 31, 2013, 2014 and 2015, respectively. The increases are primarily related to customer credit balances resulting from the Company's Equal Payment Plan ("EPP" or "Plan") which are embedded in this line item. Under this Plan, customers' bills are estimated for the year and they pay an equal amount (1/12 of the annual amount) each month of the year. When weather is colder than normal, EPP customers' billings are generally lower than their actual consumption, which results in an increase in Accounts Receivable. Conversely, when weather is warmer than normal, EPP customers' billings are generally higher than their actual consumption, which results in a credit in Accounts Receivable. This credit is required to be reclassified to a liability (line 22) under GAAP.

<u>Environmental Remediation Costs</u> (Page 2 of 2, Line 23 and Line 34)

The Company records a liability for estimated future environmental remediation costs under the guidance of FASB ASC Topic 410-30, "Environmental Obligations". Such estimate is reviewed and revised annually based on ongoing investigation and changing remediation work plans. Please see previous discussion related to "Environmental Remediation Costs – Liability for Future Expenditures" under Regulatory Assets, above.

It should be noted that these estimates are recorded for balance sheet presentation in accordance with GAAP and have no impact on earnings, or our customers, until such costs are actually incurred and reflected in an annual Remediation Adjustment Clause ("RAC") filing.

<u>Regulatory Liabilities</u> (Page 2 of 2, Line 32)

Excess Plant Removal Costs make up the majority of the balance. This represents amounts accrued in excess of actual utility plant removal costs incurred to date. The Company is returning this excess over 40 years in accordance with the terms of its 2010 base rate case (Docket No. GR10010035). In addition, the balance at December 31, 2013 included over recoveries of gas costs in the amount of $19.1 million, of which $11.2 million was refunded to customers in January 2014. At

December 31, 2014 and 2015, the BGSS clause was under recovered and included in "Regulatory Assets" discussed above.

<u>Asset Retirement Obligations</u> (Page 2 of 2, Line 35)

The amounts included in Asset Retirement Obligations ("ARO") are primarily related to the legal obligations the Company has to cut and cap its gas distribution pipelines when taking those pipelines out of service in future years. These liabilities are generally recognized upon the acquisition or construction of the asset. The related asset retirement cost is capitalized concurrently by increasing the carrying amount of the related asset by the same amount as the liability. Changes in the liability are recorded for the passage of time (accretion) and/or for revisions to cash flows originally estimated to settle the ARO. The $15.2 million increase from December 31, 2014 to December 31, 2015 is primarily due to increases in contract renewal costs from the contractors performing such work for the Company.

It should be noted that these estimates are recorded for balance sheet presentation in accordance with GAAP and have no impact on earnings, or our customers, until such costs are actually incurred.

<u>Pension and Other Postretirement Benefits</u> (Page 2 of 2, Line 36)

Please see the discussion of "Deferred Pension and Other Postretirement Benefit Costs," above, under Regulatory Assets. In addition, since the adoption of FASB ASC Topic 715-20, "Defined Benefit Plans" (formerly SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans,") in 2006, the Company's balance sheet has experienced significant volatility as a result of fluctuations in equity markets, declining discounts rates from year to year and the significant impact of adopting new mortality tables as of December 31, 2014 as required by the release of new tables by the Society of Actuaries.

However, like Environmental Remediation Costs and Asset Retirement Costs discussed previously, these changes in assets and liabilities are recorded for balance sheet presentation under GAAP and have no impact on earnings, or customers, until such costs are actually incurred and recognized through the income statement in years following the changes.

Derivatives - Other (Page 2 of 2, Line 39)

This balance represents the fair market value the Company would have to pay the counterparty to terminate these interest rate swaps at each respective year-end. Concurrent with the recording of this liability is the recording of an equal amount in Regulatory Assets. These concurrent changes in assets and liabilities are recorded for balance sheet presentation under GAAP and have no impact on earnings, or customers, until such costs are actually incurred by settling the interest rate swaps for cash and recognizing the gain/loss through the income statement. It is the Company's intent to hold these swaps until they are either in-the-money (i.e., would result in a gain upon termination) or they expire, in which case they would result in neither a gain nor a loss to the Company.

Other (Page 2 of 2, Line 40)

The decrease in Other [Noncurrent Liabilities] of $1.4 million from December 31, 2013 to December 31, 2014 and $1.3 million from December 2014 to December

2015 is primarily due to the amortization of a 5-year contract with Columbia Gas Transmission, LLC ("Columbia"), one of South Jersey's major suppliers. During 2012, the Company entered into a contract with Columbia to increase its contractual delivery pressure from 350 pounds per square inch gauge (psig) to 700 psig. This was done in conjunction with the BPU's approval to increase the operating pressure from 350 psig to 437 psig on three downstream pipeline segments. Therefore, delivery pressure in excess of 350 psig was necessary to optimally operate South Jersey's transmission system. The cost of that project over the 5-year period was $7.9 million. As of December 31, 2015, the remaining balance reflected on the balance sheet of the Company was $1.4 million in this Other [Noncurrent Liability] line item.

<u>Supporting Schedules</u>

Schedules TSK-2, TSK-3 and TSK-4 provide additional supporting information for the Plant section of the Balance Sheet. Schedule TSK-2 shows Utility Plant by functional group, that is: Intangible Plant, Production Plant, Storage Plant, Transmission Plant, Distribution Plant, General Plant, and Other Tangible Property, and a Gas Plant Acquisition Adjustment at December 31, 2013, 2014 and 2015. Schedule TSK-3 reflects Utility Plant for the same periods by primary account within the functional groups. Schedule TSK-4 details the Accumulated Provision for Depreciation and Amortization by functional category at December 31, 2013, 2014 and 2015.

Also attached are additional supporting Schedules TSK-9, Statement of Retained Earnings as of the Balance Sheet dates presented above, TSK-10, pages 1 and 2, Balance Sheet at the most recent date certified (September 30, 2016), and TSK-11, Payments and Accruals to Affiliated Companies at December 31, 2013, 2014 and 2015.

IV. COMPARATIVE INCOME STATEMENTS

Q. Please provide an overview of the Company's income statements for the most recent three-year period.

A. Income Statements for the years ending December 31, 2013, 2014 and 2015 are provided in Schedule TSK-5. Further supporting details are provided in Schedule TSK-6, Utility Throughput, Operating Revenues, Customers & Degree Days, and Schedule TSK-7, Operating Expenses. Significant changes to the Income Statement for the three year period are as follows:

Operating Revenues (Line 1)

Operating Revenues, as more fully detailed in Schedule TSK-6, increased by $32.4 million, or 6.5%, during 2015 compared with 2014, due to higher firm revenue. Total firm revenue increased $31.1 million, or 7.1%, in 2015 as a result of a base rate case increase and a 22.1% increase in SJG's periodic BGSS rate, both effective October 1, 2014. SJG subsequently decreased its periodic BGSS rate by 18.6% effective October 1, 2015; however, the impact of the higher rate in effect for the majority of the year increased revenue by approximately $25.4 in 2015, compared with 2014. While changes in gas costs and BGSS recoveries/refunds fluctuate from period to period, SJG does not profit from the sale of the commodity. In addition, the BPU's approval of SJG's base rate case effective October 1, 2014 added $15.5 million of incremental revenue to 2015, compared with 2014. The addition of 6,246 additional customers in 2015 also contributed to higher firm revenue; however, the impact of 9.6% warmer weather more than offset the impact of customer growth during the year.

Revenues increased $55.4 million, or 12.4%, during 2014 compared with 2013, due to higher firm sales and Off-System Sales (“OSS”). Total firm revenue increased $45.2 million, or 11.4%, in 2014 as a result of 4.6% colder weather and 4,598 additional customers compared with 2013. The roll in of certain capital investments into base rates effective October 1, 2013, increased revenue by approximately $10.4 million during 2014. Effective October 1, 2014, the Company also had a base rate increase and a 22.1% increase in its periodic BGSS rate. The impact of these rate increases on revenue was $7.1 million and $4.9 million, respectively.

Higher OSS unit prices resulted in an $11.3 million, or 27.3%, increase in OSS revenues during 2014, compared with 2013. Colder weather led to greater demand during the first quarter of 2014, allowing the Company to increase revenue from such sales. However, the impact of changes in OSS activity does not have a material impact on the earnings of SJG, as the Company is required to return 85% of the profits of such activity to its ratepayers.

Details concerning SJG’s throughput can be found on Schedule TSK-6, Lines 1 through 19, and provide additional information supporting changes in revenue.

Total gas throughput decreased 1.5 million decatherms (MMdts), or 1.0%, from 2014 to 2015 due to lower throughput in the firm markets. Residential firm sales and transportation throughput decreased by 1.4 MMdts as a result of weather that was 9.6% warmer than prior year. The largest decline in firm throughput was experienced in cogeneration transportation, as reflected under "Firm Transportation - Cogeneration and Electric Generation" in Schedule TSK-6, due to a supply disruption at a cogeneration facility served directly by an interstate pipeline during 2014. However, with the disruption, SJG transported a significant volume of commodity to this cogeneration facility to meet its needs in 2014. That disruption has since been remedied, resulting in lower firm transportation throughput in 2015.

Partially offsetting these decreases was a 5.2 MMdts increase in OSS throughput from 2014 to 2015. This was primarily due to warmer than normal weather, which created less demand in the Company's service territory and more supply available for OSS.

Total gas throughput increased 26.5 MMdts, or 23.8%, from 2013 to 2014 primarily due to higher capacity release. Capacity release increased 22.1 MMdts as a result of the expiration of an Asset Management Agreement (AMA) that was in effect during 2013. The capacity previously committed under the expired AMA was available to be released during 2014. While capacity release can create significant volatility in throughput, it has little impact on revenue and margin generated from such activity. Firm throughput increased 4.8 MMdts, or 7.9%, during 2014 as a result of weather that was 4.6% colder than the previous year and the addition of 4,598 customers during 2014, representing 1.3% customer growth. In addition, supply disruptions at a cogeneration facility during 2014, discussed above, increased firm throughput. Partially offsetting these increases was a 0.5 MMdts reduction in electric generation firm sales to a regional electric generation customer. This resulted from lower weather-driven demand for electric generation during the 2014 summer season as weather was not as hot as in the previous summer.

<u>Cost of Sales</u> (Line 4 and detailed on Schedule TSK-7)

The changes in Gas Supplies Expense from 2013 to 2015 are directly attributable to the factors detailed in the prior discussion on "Operating Revenues".

<u>Operations Expenses</u> (Line 5 and detailed on Schedule TSK-7)

An explanation of the major variances by type of expenditure is as follows:

(1) Distribution (Schedule TSK-7, Line 12) can fluctuate year-to-year depending upon the level of system maintenance performed, the need for overtime, which can change dramatically based on the severity of weather during the period, and other labor-related issues, such as staffing and negotiated wage increases.

(2) Customer Accounts (Schedule TSK-7, Line 13) is composed of the customer care center expenses related to maintaining customer accounts, including bad debt expenses related to delinquent accounts. The increase of $7.3 million from December 31, 2014 to December 31, 2015, and $6.3 million from December 31, 2013 to December 31, 2014, is primarily due to a $5.8 million and $4.9 million increase in bad debt expense, respectively. In 2014, South Jersey experienced one of the coldest winters on record. As a result, the Company realized significantly higher levels of customer delinquencies over the following

months. At the end of 2014, while reviewing the increase in its accounts receivable delinquencies, the Company evaluated its then standing practice of below-the-line recording of the expense for both customer account write-offs and its reserve for potential uncollectible accounts, related to marketer purchase of receivable (POR) activity. As a result of its evaluation, which included consideration of: (a) the mandatory nature of participation in the POR program that exists in the State, and (b) the assumed ownership of the associated receivables that occurs under the program, the Company concluded that this POR expense was in no way different than any other uncollectible account, and so moved the cost above-the-line during the first quarter of 2015. Unfortunately, the programming changes for the related fees charged to marketers for providing this POR service, a source of revenue to South Jersey, were inadvertently not included in its evaluation and, therefore, left below-the-line. As such, South Jersey plans to move the fees above the line, effective January 2017, for a proper matching of the cost and revenue associated with the POR program.

(3) Energy Efficiency Tracker (EET) Programs (Schedule TSK-7, Line 15) represent costs related to providing EEPs to residential, commercial and industrial customers. The Company's EEPs were initially approved by the BPU in July 2009 and have evolved over the years to include various programs providing customers with loans and rebates to finance high efficiency equipment upgrades and reduce their natural gas consumption. The costs associated with these programs are deferred and recovered through rates on an on-going basis through adjustments to the EET rate. Operating expenses are offset by revenue recoveries

on a dollar-for-dollar basis. Such recoveries fluctuate based on sales volumes and approved rate levels during each respective year.

(4) Clean Energy Programs (Schedule TSK-7, Line 16) represent costs related to the NJ Clean Energy Program (NJCEP) which are deferred and recovered through the Company's CLEP rate on an on-going basis. Operating expenses are offset by revenue recoveries on a dollar-for-dollar basis. Such recoveries fluctuate based on sales volumes and approved rate levels during each respective year.

(5) Administrative and General (Schedule TSK-7, Line 18) increased $2.2 million during 2015, as compared with 2014, primarily due to a $1.5 million increase in costs related to incremental license, maintenance and staffing costs necessary to support SJG's new work management and billings systems placed into service during October 2014. The $0.4 million increase during 2014, as compared to 2013, is primarily due to a $0.5 million increase in regulatory commission expense associated with the amortization of expenses approved by the BPU as part of its base rate case, effective October 1, 2014. Specifically, the increase in this category reflects the first three months of amortization of Rate Case Expenses and Overland Consulting – Affiliated Transactions and Comprehensive Management Audit over a three year period.

Maintenance Expense (Line 6 and detailed on Schedule TSK-7)

An explanation of the major variances by type of expenditure is as follows:

(1) Production (Schedule TSK-7, Line 24) increased in 2015 from 2013 by $0.9 million primarily due to increased annual amortization of the Company's

environmental remediation costs under the BPU-approved Remediation Adjustment Clause (RAC). RAC amortization expense is recovered from ratepayers; therefore, SJG experienced an offsetting increase in revenue.

(2) Transmission (Schedule TSK-7, Line 25) increased $1.4 million from 2013 to 2015 primarily due to pipeline integrity costs amortized in 2015. This amortization commenced upon the BPU's approval of the Company's base rate case, effective October 1, 2014.

(3) Distribution (Schedule TSK-7, Line 26) increased $1.1 million in 2015, compared to 2014, primarily as the result of higher payroll charges associated with the maintenance of services.

Depreciation (Line 7)

Depreciation expense increased from 2013 to 2015 due to the Company's ongoing construction program, which generated an increase in depreciable property as reflected on Schedule TSK-1.

Energy and Other Taxes (Line 9)

Energy and Other Taxes decreased $4.1 million during 2014, compared with 2013, primarily due to the elimination of the Company's primary energy tax, the Transitional Energy Facilities Assessment ("TEFA"), effective January 1, 2014. This decrease in the tax rates and expense was accompanied by a corresponding decrease in revenue, as it was passed through to ratepayers.

Other Income and Expense (Line 16)

Other Income and Expense increased by $1.7 million during 2014, compared with 2013. The Company is permitted to recognize an Allowance for Funds Used during Construction (AFUDC - Equity) on qualified construction spending, which increased from 2013 to 2014. This incremental income totaled $1.6 million during 2014. In addition, SJG recognized a gain of $0.9 million on the sale of certain available-for-sale securities during 2014.

Other Income and expense was $1.7 million lower in 2015, when compared with 2014, primarily due to a $1.1 million reduction in incremental income due to AFUDC – Equity, as discussed above, and a $1.0 million gain on the sale of certain available-for-sale securities during 2014 which did not occur in 2015.

Interest Charges (Line 21)

Interest charges increased by $5.3 million in 2014, compared with 2013, primarily due to $3.8 million less AFUDC being recorded in 2014 and a $2.1 million increase in interest on long-term debt due to the Company issuing $30 million aggregate principal amount of 4.23% MTNs due January 2030, and borrowing an aggregate of $59 million on a $200 million multi-draw term facility offered by a syndicate of banks, which expires in June 2017. This was partially offset by the retirement of $11 million aggregate principal amount of 4.52% MTN’s and $10 million aggregate principal amount of 5.115% MTN’s, both at maturity.

Interest charges increased by $2.0 million in 2015, compared with 2014, primarily due to $1.6 million less AFUDC being recorded in 2015.

Supporting Schedules

In addition to Schedules TSK-6 and TSK-7, referenced, above, Schedule TSK-8, Taxes Other Than Income Taxes, provides additional supporting information for Schedule TSK-5.

V. ADJUSTED TEST YEAR RATE BASE - FEDERAL AND STATE DEFERRED INCOME TAXES

Q. Please explain the Company's calculation of Federal and State Deferred Income Taxes included in the adjusted test year rate base provided on Schedule KJB-2, Statement of Rate Base.

A. The calculation of deferred Federal and State Income Taxes used to reduce rate base reflects the normalization of timing differences between book and tax accounting for all property additions after January 1, 1976, including property related rate base adjustments contained in Schedule TSK-13.

The deferred taxes are the accumulation of vintage years' net timing differences calculated at the statutory rates. Federal and State Deferred Taxes included in rate base for the adjusted test year ended August 31, 2017 are $(500,329,894). The derivation of this amount is shown in Schedules TSK-12A and TSK-12B, which reflect deferred tax adjustments of $(10,249,729) and $(31,787) for deferred Federal and State taxes, respectively. The total from each of these schedules is then brought forward to Schedule KJB-2 of Mr. Barcia's Direct testimony.

VI. DEPRECIATION ADJUSTMENTS

Q. Has the Company utilized the same methodology and depreciation rates as in the Company's prior base rate case, in calculating its depreciation expense and accumulated depreciation?

A. Yes. The Company has calculated depreciation expense and accumulated depreciation utilizing the depreciation rates that were utilized to set rates in the

Company's last base rate case. The depreciation rates were agreed upon by the parties following the Company's submission of a complete depreciation study and approved by the Board in its September 2014 Order (Docket No. GR13111137). Depreciation expense, accumulated depreciation and negative net salvage were all calculated arithmetically using accepted methodologies.

Q. Please explain the Company's calculation of depreciation expense and accumulated depreciation included in Schedules KJB-2, Statement of Rate Base, and KBJ-3, Adjusted Test Year Income Statement.

A. Schedule TSK-13 is a summary of pro forma adjustments to depreciation expense and accumulated depreciation. These adjustments are reflected on Mr. Barcia's Schedule KJB-2, the Statement of Rate Base, and KJB-3, the Adjusted Test Year Income Statement.

The first adjustment thereon (line 3) includes (1) the annualized depreciation expense for utility plant additions, calculated at the Company's current composite rate of 1.96%, which was set in the Company's last base rate case; (2) annualized depreciation expense for the Company's recently completed liquefaction facility, utilizing a depreciation rate of 3.37%, approved in the Company's last base rate case; and (3) annualized depreciation expense for Information Technology projects placed in service since 2014, utilizing a depreciation rate of 6.67%, approved in the Company's last base rate case. The resulting adjustment, totaling $1,370,162 (Schedule TSK-13, line 3) is based upon projected depreciable plant as of August 31, 2017, which is necessary to reflect the proper annual level of depreciation expense during the period in which the rates are to go into effect.

The second adjustment thereon (line 5) is a $2,624,444 addition to the Company's current annual provision for negative salvage of $2,390,167. This is being increased to reflect the average of three consecutive years of expenditures for negative salvage projected through August 31, 2017, which more accurately reflects the level currently being incurred primarily as a result of the Company's AIRP and SHARP. It is important to note that the Company's SHARP program was not approved until August 2014, just after the completion of the Company's test period in its last base rate case and, therefore, the impact of that program on negative salvage had not been included in the provision approved in that proceeding.

The third adjustment thereon (line 7) reflects the decrease in the annual amortization of the non-legal asset retirement obligation (ARO) established in the Company's 2010 base rate case as a regulatory liability. The Company's calculation supporting this decrease is provided on Schedule TSK-13A.

The initial non-legal ARO amortization had been set at $1,216,646 annually, representing the return to customers of $48,665,855 over a forty (40) year period via a reduction to annual depreciation expense. However, ongoing net salvage amounts incurred by the Company continued to exceed the annual net negative salvage allowance provided in rates in the Company's 2010 base rate case settlement. As such, the non-legal ARO amortization was adjusted to its current level of $1,060,130 per year for the remaining 36 1/4 years in the Company's 2014 base rate case.

As shown on Schedule TSK-13A, net salvage amounts continue to exceed the annual net salvage allowance provided in rates in the Company's 2014 base rate case. As such, the current non-legal ARO amortization must be adjusted again to further incorporate the projected shortfall of $8,266,310 from time of the last base rate case through August 31, 2017. Since there will be 33 1/12 years remaining of the initial 40-year amortization period at the end of the test period, the annual reduction in the depreciation credit is $251,046 (Schedule TSK-13, line 7), which reduces the annual amount being returned to customers from $1,060,130 to $809,084.

The fourth adjustment thereon (line 9) reflects additional annual depreciation expense associated with normal plant additions from September 2017 through February 2018, for which the Company is seeking to include post-test year plant additions that are known and measurable and major in nature and consequence. The post-test year additions of $55,333,500 are brought forward from Mr. Zuccarino's Schedule PJZ-2. The resulting increase in depreciation is $1,084,537 (line 9), which is partially offset by retirements, reducing depreciation by $188,387 (line 11).

The fifth adjustment thereon (line 13) reflects the annual depreciation expense associated with major construction projects totaling $36,785,667 brought forward from Mr. Fatzinger's Schedule RFF-1. The resulting increase in depreciation expense for this adjustment is $474,535.

Also included in Schedule TSK-13 is the impact of the additional depreciation expense and post-test year retirements on the Company's provision for Accumulated Depreciation.

VII. <u>ADJUSTED TEST YEAR INCOME STATEMENT FEDERAL AND STATE INCOME TAXES</u>

Q. Please explain the calculation of the Company's Federal and State Income Taxes reflected on Schedule KJB-3, Adjusted Test Year Income Statement.

A. Schedule TSK-14 contains the calculation of the pro forma adjustment to income tax expense, including the interest expense synchronization, which is reflected on Mr. Barcia's Schedule KJB-3, the Adjusted Test Year Income Statement.

The Pre-Tax Adjustment identified on Line 1 of Schedule TSK-14 is calculated as the net result of the pre-tax pro forma revenue and expense adjustments identified on Schedule KJB-3, Lines 3 through 16 and Line 27 (Interest on Customer Deposits). Schedule TSK-14, Lines 5 through 9, calculate the annualized interest expense of $27,633,381, which is $703,681 million more than the projected test year period interest expense of $26,929,700. This adjustment is necessary to synchronize the federal income tax savings associated with interest expense in the test period with the tax savings based on an interest calculation using the weighted average cost of debt in the capital structure utilized to support Rate Base. The sum of the pre-tax adjustments total $16,937,760, which is then multiplied by the current income tax rate, resulting in a decrease to the test year income tax expense.

In addition, we have made an adjustment on Schedule TSK-14, Line 22, totaling $8,406 for taxes related to the projected AIRP II AFUDC for July and August 2017. Because the AIRP II plant investments occurring after June 2017 have been excluded from the test year capital additions identified on Mr. Zuccarino's Schedule PJZ-1, the taxes calculated on related AFUDC-Debt are also being removed from the Income Statement through this adjustment. The sum of these adjustments total $6,927,481 and is reflected as a decrease to test year income taxes on Schedule KJB-3, Line 18, included in Mr. Barcia's Direct Testimony.

VIII. <u>ADJUSTMENT TO TEST YEAR INCOME STATEMENT FOR PENSION COSTS AND PENDING ACCOUNTING METHOD CHANGE</u>

Q. Please explain the Company's adjustments to test year expenses to reflect the incremental pension expense caused by new mortality tables released by the Society of Actuaries in 2014?

A. Schedule TSK-15 contains two pro-forma adjustments related to pension expense. These adjustments are reflected on Mr. Barcia's Schedule KJB-14, Summary of O&M Expense Adjustments to the Income Statement.

As background to the adjustments, on October 27, 2014 the Society of Actuaries released new mortality tables. This new set of mortality tables (RP-2014, with MP-2014 improvement scales), increased the expected longevity of men by 2 years (84.6 to 86.6) and women by 2.4 years (86.4 to 88.8). Such an increase in longevity over the previous actuarial tables released in the year 2000 (the RP-2000 tables) created an incremental expense that had a significant impact on both the balance sheet, including the Company's funding level, as well as the income statement. In response to this increase in expense, the Company requested that its actuaries, Willis Towers Watson ("WTW"), isolate the incremental impact of the cost increase on the company and, upon learning of the magnitude of the incremental cost increase, the Company began deferring the incremental expense on January 1, 2015. The annual incremental increases for the years 2015 - 2017 are reflected on Schedule TSK-15, lines 1 through 3. The Company elected to defer only the incremental expense component, as the capital component of such costs would reside on the balance sheet in Utility Plant and afford the Company recovery in the normal course of the ratemaking process. However, given the significance of the impact on expense, the Company deferred incremental expense of $1,006,580 and $669,146, for the years 2015 and 2016, respectively. The expected increase in expense for 2017 of $639,000 is also contained on that schedule and was also provided by WTW. This 2017 expense estimate will be replaced with actual expense as this case proceeds.

Q. Please identify the proposed expense adjustments, explain why it was necessary to defer this incremental expense and explain why a 15 year amortization period is appropriate.

A. It is important to understand that, unlike other changes that have a significant impact in annual plan expense, i.e. return on plan assets, movement in discount rates, etc., which change annually in either direction, mortality table updates only occur approximately every 15 years and always move in the same direction (increased life expectancies), which is significant in terms of impact for Plan sponsors. These increases to life expectancy are expected to continue over time as a result of heath care, dietary and general environmental improvement, which will only lead to the release of future updates to mortality tables. As a point of reference, the last two mortality table updates were released in 2000 and 1983. The first pro-forma adjustment on Schedule TSK-15 is to recognize the amount deferred on the Balance Sheet from the adoption of the new tables through the end of 2017, utilizing a 15-year amortization period. The resulting pro-forma increase to test year expenses is $154,315 (Schedule TSK-15 line 8). The Company is using a 15-year amortization period to reflect the average time between the last two mortality table releases. Further, the Board previously established a precedent of permitting the deferral and subsequent recovery of significant impacts on costs of providing Company sponsored retirement plans in 1997, when GAAP required a change to the accounting for postretirement healthcare costs, pursuant to an Order in Docket No. GR97050349. The impact of the adoption of FAS 106, Postretirement Benefits other than Pension (FAS 106), had a significant impact on the Company and South Jersey was permitted to defer the expense impacts until such time as the cost was being recovered through rates.   Further, the recovery period for the deferred cost was prescribed to be 15 years in that Order as it stated, "….the regulatory asset amortization for the Company will remain unchanged for a period of 15 years subsequent to implementation of the Board Order effective January 1, 1998."

The second pro-forma adjustment on Schedule TSK-15, Line 15, is to increase the test year income statement pension expense by $649,049 to reflect the full level of annual expense being incurred by the Company currently. This is required to properly reflect in the test year income statement the annual level of expense currently being deferred to the Balance Sheet and to normalize the test period pension expense. See Schedule TSK-15, lines 12-15, for the derivation of this amount.

IX. <u>REQUEST TO DEFER EXPENSE ASSOCIATED WITH PROPOSED FINANCIAL ACCOUNTING STANDARDS BOARD ("FASB") CHANGES TO PENSION AND POSTRETIREMENT PLAN ACCOUNTING</u>

Q. Please describe the FASB's changes to Pension and Postretirement Plan accounting and explain why it is necessary and proper for the Board to authorize deferral of the associated incremental expense increase.

A. On January 26, 2016, the FASB issued an Exposure Draft proposing significant amendments to the treatment of Pension and Postretirement Plan accounting and financial presentation (FASB Topic 715). Under the amendments, an employer would disaggregate the service cost component from the other components of net benefit cost and, most significantly, would allow only the service cost component of net benefit cost to be eligible for capitalization. The proposed financial statement presentation changes will affect all companies with pension or other postretirement benefit plans, but the most significant impact will be on companies that capitalize pension cost into inventory or other self-constructed assets, such as South Jersey. South Jersey anticipates that, if implemented, these amendments will result in a significant incremental expense.

On November 4, 2016, the FASB tentatively decided to affirm the changes proposed in the Exposure Draft and decided that a final Accounting Standards Update ("ASU") will be effective for annual reporting periods beginning after December 15, 2017. The amendments in the proposed update would allow only the service cost component to be eligible for capitalization when applicable (for example, as a cost of internally manufactured inventory or a self-constructed asset). These changes will have a significant adverse impact on South Jersey.

To illustrate the magnitude of this change, in 2015 South Jersey capitalized $5.8 million of pension and postretirement healthcare cost based on current GAAP capitalization practices, which allow capitalization to be based on total cost incurred. Had the Company been limited to capitalization based only on the amounts being recorded as service costs, which represents a fraction of the overall cost, the Company would have only been permitted to capitalize $2.5 million, less than one half of the amount currently capitalized, resulting in an incremental expense increase of $3.3 million.

As such, South Jersey is seeking Board authority to defer, until the Company's next base rate case, the incremental pension and postretirement healthcare expense that would result from the ability to capitalize only service costs, as discussed above. At that time, it is anticipated that South Jersey will have knowledge of the annual expense impact of the ASU so that it may be appropriately considered when setting rates. In the event that the Board does not approve deferred treatment of the incremental increase to pension and postretirement healthcare expenses associated with the inability to capitalize, the

Company proposes to include an estimated annual cost as a pro forma adjustment to O&M expense, to be provided in a future case update filing.

X. <u>POSTRETIREMENT HEALTHCARE PLAN FUNDING REQUIREMENTS</u>

Q. Please explain the Company's proposal to modify the funding requirement of its postretirement benefits other than pension costs (PBOP).

A. South Jersey's is seeking to modify its current funding requirement for postretirement benefits other than pension costs (PBOP). The Company is proposing that its funding requirement adjust with each rate case approval to synchronize with test year expense levels. Pursuant to the Board's Order in Docket No. GR97050349, the Company's existing funding requirement was established in 1997 at $3,604,407, less the Company's cash requirements to provide post-retirement benefits annually. Any such funds are placed in the Company's voluntary employees' beneficiary association ("VEBA") trust fund, which is an irrevocable, external trust. The Company's VEBA is funded with reserves for future benefit costs for active or retired employees and, as such, is required to receive annual certification.

The Company is proposing to change the funding requirement level because the current requirement has not explicitly been revisited since 1997 and is much higher than presently needed, due to a significant reduction in Other Postemployment Benefits ("OPEB") expense and the related amounts reflected in base rates. When the Company adopted FAS 106 in the 1990s, the resulting increase in expense was significant and the Board permitted full recovery of the increased level of expense ($3.6 million annually at that time); however, this $3.6 million has been the benchmark for the funding calculation ever since and is no longer relevant.

South Jersey is seeking to modify its funding requirement to reflect that, on an annual basis, should the Company's cash requirement to provide postretirement benefits be lower than the expense utilized to set rates in the Company's most recent base rate case, the Company shall place the difference in an irrevocable, external trust. Conversely, if in a given plan year the Company's cash requirement to provide postretirement benefits exceed the expense utilized to set rates in the Company's most recent base rate case, then the Company shall make no such contribution to the external trust during that given plan year.

In sum, with this proposal, the Company is not seeking to change the methodology for determining the funding requirement that has been in place since 1997; rather, the Company is seeking to replace the $3.6 million expense level that was established in 1997 with the actual test year expenses, to be determined in this and future base rate cases.

XI. SUMMARY

Q. Can you briefly summarize your testimony?

The adjustments presented in this testimony should be adopted by the Board because they are prudent and reasonable. The test year information detailed herein is based upon three months' actual and nine months' estimated data. It is the Company's intention to update the test year information and adjustments thereto on a regular basis throughout this proceeding, ending with a 12 month actual test year.

Q. Does this conclude your testimony?

A. Yes, it does.

SOUTH JERSEY GAS COMPANY
BALANCE SHEETS - ASSETS
AT END OF PERIODS INDICATED
(In Thousands)

Line No.	Assets	December 31, 2015	2014	2013
1	**Property, Plant and Equipment:**			
2	Utility Plant, at original cost	$ 2,211,239	$ 2,002,966	$ 1,816,804
3	Accumulated Depreciation	(440,473)	(413,597)	(392,029)
4				
5	Property, Plant and Equipment - Net	1,770,766	1,589,369	1,424,775
6				
7	**Investments:**			
8	Available-for-Sale Securities	8,788	8,894	8,696
9	Restricted Investments	6,769	7,961	680
10				
11	Total Investments	15,557	16,855	9,376
12				
13	**Current Assets:**			
14	Cash and Cash Equivalents	775	1,778	2,020
15	Notes Receivable	9,916		
16	Accounts Receivable	64,445	60,535	60,317
17	Accounts Receivable - Related Parties	1,972	1,157	968
18	Unbilled Revenues	25,613	49,910	41,510
19	Provision for Uncollectibles	(9,778)	(6,601)	(4,553)
20	Natural Gas in Storage, average cost	14,294	25,325	20,811
21	Materials and Supplies, average cost	937	1,104	1,798
22	Deferred Income Taxes - Net	-	44,064	23,309
23	Prepaid Taxes	21,483	13,601	7,683
24	Derivatives - Energy Related Assets	1,077	2,051	1,222
25	Other Prepayments and Current Assets	13,405	3,688	3,819
26				
27	Total Current Assets	144,139	196,612	158,904
28				
29	**Regulatory and Other Noncurrent Assets:**			
30	Regulatory Assets	323,434	357,160	296,081
31	Unamortized Debt Issuance Costs	6,628	7,382	6,523
32	Long-Term Receivables	24,950	15,223	10,252
33	Derivatives - Energy Related Assets	64	-	278
34	Other	2,666	3,071	2,937
35				
36	Total Regulatory and Other Noncurrent Assets	357,742	382,836	316,071
37				
38	Total Assets	$ 2,288,204	$ 2,185,672	$ 1,909,126

SOUTH JERSEY GAS COMPANY
BALANCE SHEETS - LIABILITIES & CAPITALIZATION
AT END OF PERIODS INDICATED
(In Thousands)

Line No.	Capitalization and Liabilities	December 31, 2015	2014	2013
1	**Common Equity:**			
2	Common Stock, Par Value $2.50 per share:			
3	Authorized - 4,000,000 shares			
4	Outstanding - 2,339,139 shares	$ 5,848	$ 5,848	$ 5,848
5	Other Paid-In Capital and Premium on Common Stock	250,827	250,899	225,972
6	Accumulated Other Comprehensive Loss	(12,862)	(14,479)	(10,869)
7	Retained Earnings	464,114	438,300	390,018
8				
9	Total Common Equity	707,927	680,568	610,969
10				
11	**Long-Term Debt**	584,082	507,091	454,000
12				
13	Total Capitalization	1,292,009	1,187,659	1,064,969
14				
15	**Current Liabilities:**			
16	Notes Payable	134,400	101,400	65,500
17	Current Portion of Long-Term Debt	27,909	35,909	21,000
18	Accounts Payable - Commodity	8,936	22,359	24,232
19	Accounts Payable - Other	40,579	32,711	32,072
20	Accounts Payable - Related Parties	7,552	11,249	6,638
21	Derivatives - Energy Related Liabilities	5,489	6,305	711
22	Customer Deposits and Credit Balances	19,531	17,626	15,089
23	Environmental Remediation Costs	48,323	28,480	15,422
24	Taxes Accrued	1,930	1,177	1,767
25	Pension Benefits	2,227	1,515	1,241
26	Interest Accrued	5,989	6,099	6,039
27	Other Current Liabilities	5,686	6,580	5,629
28				
29	Total Current Liabilities	308,551	271,410	195,340
30				
31	**Regulatory and Other Noncurrent Liabilities:**			
32	Regulatory Liabilities	42,841	41,899	60,949
33	Deferred Income Taxes - Net	432,674	435,022	380,975
34	Environmental Remediation Costs	74,871	95,828	104,070
35	Asset Retirement Obligations	57,219	41,976	41,178
36	Pension and Other Postretirement Benefits	65,491	95,241	48,197
37	Investment Tax Credits	-	149	360
38	Derivatives - Energy Related Liabilities	351	1,298	48
39	Derivatives - Other	7,631	7,325	3,735
40	Other	6,566	7,865	9,305
41				
42	Total Regulatory and Other Noncurrent Liabilities	687,644	726,603	648,817
43				
44	Total Capitalization and Liabilities	$ 2,288,204	$ 2,185,672	$ 1,909,126

SOUTH JERSEY GAS COMPANY
UTILITY PLANT BY FUNCTIONAL CATEGORIES
AT END OF PERIOD INDICATED (in Thousands)

TSK-2

Line No.		December 31, 2015	2014	2013
1	Utility Plant by Functional Catetory:			
2	Intangible	$ 229	$ 229	$ 229
3	Production	296	296	296
4	Storage	44,480	24,069	$ 22,986
5	Transmission	267,793	258,799	$ 251,367
6	Distribution	1,727,681	1,574,586	$ 1,428,915
7	General	169,134	143,361	$ 111,385
8	Other	-	-	-
9	Gas Plant Acquisition Adjustment	1,626	1,626	1,626
10	Total	$ 2,211,239	$ 2,002,966	$ 1,816,804
11	Summary:			
12	Utility Plant in Service	$ 2,135,565	$ 1,922,365	$ 1,735,726
13	Construction Work in Progress:			
14	Internal Projects	70,245	77,247	72,049
15	Reimbursable Projects	1,469	664	529
16	Gas Plant Acquistion Adjustment	1,626	1,626	1,626
17	Total	$ 2,208,905	$ 2,001,902	$ 1,809,931
18	Adjustment to Reconcile to Audited Balances Sheets:			
19	Recording of AP Accruals *	$ (2,671)	$ 1,064	$ 964
20	Recording Asset Retirements *	$ -	$ -	$ (312)
21	Recording of ARO Adjustments *	5,004	-	$ 6,221
22	Total Top Side Entries	$ 2,333	$ 1,064	$ 6,873
23	Utility Plant per Audited Balance Sheets (TSK-1)	$ 2,211,238	$ 2,002,966	$ 1,816,804
24	* Recorded Post-Closing using a Top-Side Entry.			

SOUTH JERSEY GAS COMPANY
UTILITY PLANT BY PRIMARY ACCOUNT
AT END OF PERIOD INDICATED (in Thousands)

Line No.			December 31, 2015	2014	2013
1	Intangible Plant:				
2	301	Organization	$ 138	$ 138	$ 138
3	302	Franchises and Consents	43	43	43
4	303	Miscellaneous Intangible Plant	48	48	48
5		Total	$ 229	$ 229	$ 229
6	Production Plant:				
7	304	Land and Land Rights	$ 24	$ 24	$ 24
8	305	Structures and Improvements	259	259	259
9	311	Liquefied Petroleum Gas Equipment	13	13	13
10	320.4	Other Production Equipment Miscellaneous	0	0	0
11		Total	$ 296	$ 296	$ 296
12	Storage Plant:				
13	350	Land and Land Rights Underground	$ 26	$ 26	$ 26
14	351	Structures and Improvements Underground	1,367	1,367	233
15	354	Compressor Station Equipment	0	0	0
16	355	Measuring and Regulating Equipment	1	1	1
17	357	Other Equipment Underground	0	0	0
18	360	Land and Land Rights Local	19	19	19
19	361	Structures and Improvements Local	424	2,575	3,828
20	362	Gas Holders	3,139	3,139	3,139
21	363	Other Equipment Local	39,504.27	16,942	$ 15,741
22		Total	$ 44,480	$ 24,069	$ 22,986
23	Transmission Plant:				
24	365	Land, Land Rights and Rights of Way	$ 7,562	$ 7,562	$ 7,557
25	366	Structures and Improvements	2,522	2,519	2,181
26	367	Mains	227,680	219,830	212,499
27	368	Compressor Station Equipment	0	0	0
28	369	Measuring and Regulating Station Equipment	29,560	28,419	28,661
29	370	Communication Equipment	45	45	45
30	371	Other Equipment	424	424	424
31		Total	$ 267,793	$ 258,799	$ 251,367

SOUTH JERSEY GAS COMPANY
UTILITY PLANT BY PRIMARY ACCOUNT
AT END OF PERIOD INDICATED (in Thousands)

Line No.			December 31, 2015	2014	2013
1	Distribution Plant:				
2	374	Land and Land Rights	$ 658	$ 658	$ 658
3	375	Structures and Improvements	14,577	11,910	11,829
4	376	Mains Distribution	903,868	800,432	714,498
5	377	Compressor Station Equipment	1,736	15	15
6	378	District Governors	5,214	5,214	4,861
7	379	Measuring and Regulating Station Equipment General	2,265	2,265	2,265
8	380	Services	665,730	638,911	593,210
9	381	Meters	51,008	48,327	44,049
10	382	Meter Installation	30,637	28,027	25,584
11	383	House Regulators	12,207	6,372	4,211
12	384	House Regulators Installations	24,827	19,421	16,350
13	385	Industrial Measuring and Regulating Station Equpment	14,798	12,880	11,230
14	387	Other Equipment	156	156	156
15		Total	$ 1,727,680	$ 1,574,586	$ 1,428,915
16	General Plant:				
17	389	Land and Land Rights	$ 120	$ 120	$ 120
18	390	Structures and Improvements	16,090	15,608	15,486
19	391	Office Furniture and Equipment	128,396	104,497	73,595
20	392	Transportation Equipment	16,593	15,325	14,485
21	393	Stores Equipment	57	57	67
22	394	Tools Shop and Garage Equipment	2,552	2,520	2,560
23	395	Laboratory Equipment	2	1	12
24	396	Power Operated Equipment	2,552	2,461	2,283
25	397	Communication Equipment	2,727	2,728	2,728
26	398	Miscellaneous Equpment	44	44	48
27		Total	$ 169,133	$ 143,361	$ 111,385
28	Other:				
29	114	Gas Plant Acquisition Adjustment	$ 1,626	$ 1,626	$ 1,626
30		Total Utility Plant	$ 2,211,238	$ 2,002,966	$ 1,816,804

SOUTH JERSEY GAS COMPANY
ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION
BY FUNCTIONAL CATEGORY
AT END OF PERIOD INDICATED (in Thousands)

Line No.		December 31, 2015	2014	2013
1	Accumulated Provision for Depreciation:			
2	Intangible Plant	$ 4	$ 4	$ 4
3	Production Plant	96	40	(3)
4	Storage Plant	7,212	6,563	5,823
5	Transmission Plant	77,233	73,612	69,015
6	Distribution Plant	368,005	355,902	341,862
7	General Plant	24,029	18,532	16,867
8	Total	$ 476,580	$ 454,652	$ 433,568
9	Adjustments to Reconcile to Audited Balances Sheets:			
10	Reclassification of Excess Cost of Removal			
11	Recovery to a Regulatory Liability Account	(38,818)	(41,055)	(43,967)
12	ARO Adjustments *	2,711	-	2,740
13	Asset Retirements *	-	-	(312)
14	Total	$ (36,107)	$ (41,055)	$ (41,539)
15	Accumulated Depreciation per Audited Balance Sheets (TSK-1)	$ 440,473	$ 413,597	$ 392,029

16 * Recorded Post-Closing using a Top-Side Entry.

SOUTH JERSEY GAS COMPANY
STATEMENTS OF INCOME
FOR THE PERIODS INDICATED
(In Thousands)

Line No.		Twelve Months Ended December 31, 2015	2014	2013
1	**Operating Revenues**	$ 534,290	$ 501,875	$ 446,480
2				
3	**Operating Expenses:**			
4	Cost of Sales (Excluding depreciation)	245,290	231,216	200,081
5	Operations	107,659	102,191	85,081
6	Maintenance	16,365	13,526	13,135
7	Depreciation	40,635	36,773	33,775
8	Income Taxes	36,880	34,646	34,646
9	Energy and Other Taxes	4,031	3,760	7,862
10				
11	Total Operating Expenses	450,860	422,112	374,580
12				
13	**Operating Income**	83,430	79,763	71,900
14				
15	**Other Income and Expense:**			
16	Other Income and Expense	3,120	4,841	3,073
17	Income Taxes on Other Income	(66)	(249)	(187)
18				
19	Total Other Income	3,054	4,592	2,886
20				
21	**Interest Charges**	(19,906)	(17,872)	(12,550)
22				
23	**Net Income**	$ 66,578	$ 66,483	$ 62,236

SOUTH JERSEY GAS COMPANY
UTILITY THROUGHPUT, OPERATING REVENUES, CUSTOMERS & DEGREE DAYS
FOR THE PERIODS INDICATED
(In thousands, except for customer data)

Line No.		Twelve Months Ended December 31, 2015	2014	2013
	Utility Throughput -dth:			
1	Firm Sales -			
2	Residential	23,852	24,508	22,070
3	Commercial	5,980	5,530	5,408
4	Industrial	338	283	292
5	Cogeneration and electric generation	1,449	1,035	1,562
6	Firm Transportation -			
7	Residential	2,427	3,291	3,319
8	Commercial	6,783	7,103	6,780
9	Industrial	11,780	13,168	13,051
10	Cogeneration and electric generation	5,870	10,307	7,977
11				
12	Total Firm Throughput	58,479	65,225	60,459
13				
14	Interruptible Sales	20	-	14
15	Interruptible Transportation	1,338	1,401	1,452
16	Off-System	14,603	9,411	9,685
17	Capacity Release	62,349	62,193	40,088
18				
19	Total Throughput	136,789	138,230	111,698
20				
21	Utility Operating Revenues:			
22	Firm Sales-			
23	Residential	$ 317,491	$ 279,797	$ 246,227
24	Commercial	69,845	63,584	57,126
25	Industrial	4,083	4,070	3,485
26	Cogeneration and electric generation	5,666	6,037	8,144
27	Firm Transportation -			
28	Residential	16,594	20,648	21,392
29	Commercial	30,602	30,850	28,165
30	Industrial	22,106	25,737	23,551
31	Cogeneration and electric generation	4,920	9,531	6,982
32				
33	Total Firm Revenues	471,307	440,254	395,072
34				
35	Interruptible Sales	300	15	342
36	Interruptible Transportation	1,373	1,694	1,827
37	Off-System	49,624	52,809	41,488
38	Capacity Release	10,296	5,835	6,384
39	Other	1,390	1,268	1,367
40				
41	Total Utility Operating Revenues	$ 534,290	$ 501,875	$ 446,480
42				
43	Number of Customers at Year End:			
44	Residential	348,093	342,155	337,936
45	Commercial	24,565	24,253	23,873
46	Industrial	442	446	447
47	Total Customers	373,100	366,854	362,256
48				
49	Annual Degree Days	4,402	4,872	4,658

SOUTH JERSEY GAS COMPANY
OPERATING EXPENSES
FOR THE PERIODS INDICATED
(In Thousands)

Line No.		Twelve Months Ended December 31, 2015	2014	2013
	Gas Supplies Expense:			
1	Natural Gas Transmission Purchases	$209,269	$274,365	$194,837
2	Deferred Transmission Gas	26,224	(49,001)	2,770
3	Gas from Storage - LNG	9,986	5,985	2,592
4	Gas used for Utility Operation	(189)	(133)	(118)
5				
6	Total Gas Supplies Expense	$245,290	$231,216	$200,081
7				
8				
9	Operating Expenses:			
10	Production	$531	$525	$408
11	Transmission	1,949	1,918	1,716
12	Distribution	13,706	12,934	11,885
13	Customer Accounts	28,338	21,069	14,773
14	CIP Programs	634	547	353
15	EET Programs	3,611	4,169	4,509
16	Clean Energy Programs	21,227	24,836	15,909
17	Sales	1,209	1,905	1,599
18	Administrative and General	36,454	34,288	33,929
19				
20	Total Operating Expenses	$107,659	$102,191	$85,081
21				
22				
23	Maintenance Expenses:			
24	Production	$9,862	$9,002	$8,963
25	Transmission	2,629	1,763	1,204
26	Distribution	3,243	2,145	2,357
27	Administrative and General	631	616	611
28				
29	Total Maintenance Expenses	$16,365	$13,526	$13,135

SOUTH JERSEY GAS COMPANY
TAXES OTHER THAN INCOME TAXES
FOR THE PERIODS INDICATED
(In Thousands)

Line No.		Twelve Months Ended December 31, 2015	2014	2013
1	Taxes Other Than Income Taxes:			
2	Energy Related Taxes -			
3	Transitional Energy Facility Assessment	$ -	$ -	$ 4,022
4	N.J. PUA Assessment	1,010	933	1,054
5	Ratepayer Advocate Assessment	240	208	171
6	Sub-Total	1,250	1,141	5,247
7	Other Miscellaneous Taxes -			
8	Real Estate Taxes	531	548	529
9	State Unemployment Insurance Tax	99	89	92
10	Federal Excise Tax	3	4	0
11	Federal Insurance Contribution Act Tax	1,557	1,411	1,346
12	Federal Unemployment Insurance Tax	(4)	15	25
13	State Sales and Use Tax	595	552	623
14	Sub-Total	2,781	2,619	2,615
15	Total	$ 4,031	$ 3,760	$ 7,862

SOUTH JERSEY GAS COMPANY
STATEMENT OF RETAINED EARNINGS
AT THE END OF PERIOD INDICATED
(In Thousands)

Line No.		Twelve Months Ended December 31, 2015	2014	2013
1	Balance - Beginning of Period	$ 438,301	$ 390,019	$ 327,783
	Additions:			
2	Net Income	66,578	66,483	62,236
3	Total Additions	66,578	66,483	62,236
	Deductions:			
4	Common Stock Dividends	40,764	18,201	
5	Total Deductions	40,764	18,201	-
6	Balance - End of Period	$ 464,115	$ 438,301	$ 390,019

SOUTH JERSEY GAS COMPANY
BALANCE SHEET - ASSETS
AT MOST RECENT PERIOD CERTIFIED
(In Thousands)

Line No.	Assets	September 30, 2016
1	**Property, Plant and Equipment:**	
2	Utility Plant, at original cost	$ 2,358,302
3	Accumulated Depreciation	(467,359)
4		
5	Property, Plant and Equipment - Net	1,890,943
6		
7	**Investments:**	
8	Available-for-Sale Securities	9,260
9	Restricted Investments	8,332
10		
11	Total Investments	17,592
12		
13	**Current Assets:**	
14	Cash and Cash Equivalents	1,167
15	Accounts Receivable	59,020
16	Accounts Receivable - Related Parties	1,680
17	Unbilled Revenues	13,432
18	Provision for Uncollectibles	(11,055)
19	Natural Gas in Storage, average cost	13,930
20	Materials and Supplies, average cost	931
21	Deferred Income Taxes - Net	-
22	Prepaid Taxes	24,385
23	Derivatives - Energy Related Assets	2,281
24	Other Prepayments and Current Assets	15,782
25		
26	Total Current Assets	121,553
27		
28	**Regulatory and Other Noncurrent Assets:**	
29	Regulatory Assets	397,071
30	Unamortized Debt Issuance Costs	-
31	Long-Term Receivables	25,370
32	Derivatives - Energy Related Assets	281
33	Other	3,502
34		
35	Total Regulatory and Other Noncurrent Assets	426,224
36		
37	Total Assets	$ 2,456,312

SOUTH JERSEY GAS COMPANY
BALANCE SHEET - ASSETS
AT MOST RECENT PERIOD CERTIFIED
(In Thousands)

Line No.	Capitalization and Liabilities	September 30, 2016
1	**Common Equity:**	
2	Common Stock, Par Value $2.50 per share:	
3	Authorized - 4,000,000 shares	
4	Outstanding - 2,339,139 shares	$ 5,848
5	Other Paid-In Capital and Premium on Common Stock	315,827
6	Accumulated Other Comprehensive Loss	(12,796)
7	Retained Earnings	510,260
8		
9	Total Common Equity	819,139
10		
11	**Long-Term Debt**	423,983
12		
13	Total Capitalization	1,243,122
14		
15	**Current Liabilities:**	
16	Notes Payable	81,000
17	Current Portion of Long-Term Debt	215,909
18	Accounts Payable - Commodity	10,933
19	Accounts Payable - Other	26,121
20	Accounts Payable - Related Parties	5,668
21	Derivatives - Energy Related Liabilities	3,276
22	Derivatives - Other Current	535
23	Deferred Income Taxes - Net	-
24	Customer Deposits and Credit Balances	41,497
25	Environmental Remediation Costs	58,174
26	Taxes Accrued	1,678
27	Pension Benefits	2,227
28	Interest Accrued	4,641
29	Dividends Declared	-
30	Other Current Liabilities	3,564
31		
32	Total Current Liabilities	455,223
33		
34	**Regulatory and Other Noncurrent Liabilities:**	
35	Regulatory Liabilities	51,050
36	Deferred Income Taxes - Net	460,464
37	Environmental Remediation Costs	102,413
38	Asset Retirement Obligations	58,377
39	Pension and Other Postretirement Benefits	70,564
40	Investment Tax Credits	-
41	Derivatives - Energy Related Liabilities	73
42	Derivatives - Other	9,811
43	Other	5,215
44		
45	Total Deferred Credits and Other Noncurrent Liabilities	757,967
46		
47	Commitments and Contingencies	
48		
49	Total Capitalization and Liabilities	$ 2,456,312

SOUTH JERSEY GAS COMPANY
PAYMENTS AND ACCRUALS TO AFFILIATED COMPANIES
FOR THE PERIODS INDICATED

Line No.			Twelve Months Ended December 31, 2015	2014	2013
1	MILLENNIUM ACCOUNT SERVICES, LLC (meter reading services)		2,763,014	2,667,709	2,685,841
2	SOUTH JERSEY INDUSTRIES, INC. (corporate support)	(a)	85,963,307	45,692,445	30,768,873
3	SOUTH JERSEY ENERGY SERVICE PLUS (heater conversion installations)		0	0	30,000
4	SOUTH JERSEY ENERGY SERVICE PLUS (billing services remittances)		273,911	510,327	664,973
5	SOUTH JERSEY ENERGY COMPANY (billing services remittances)		26,215,786	28,450,955	41,231,311
6	SJI SERVICES, LLC (administrative and professional support)		0	0	6,206,240
7	SOUTH JERSEY ENERGY SOLUTIONS, LLC (accounting support)		54,591	3,108	131,280
8	SOUTH JERSEY RESOURCES GROUP, LLC (commodity purchases)		26,171,816	15,331,906	15,424,886
9	(a) SOUTH JERSEY INDUSTRIES, INC. includes the following major pass-through items:				
10	COMMON DIVIDENDS		40,764,038	18,200,841	0
11	FEDERAL INCOME TAXES		0	0	0
12	401K PLAN CONTRIBUTIONS		5,116,523	4,903,868	4,246,315
13	PENSION PLAN CONTRIBUTIONS		12,020,143	0	9,100,000
14	BENEFITS		2,822,000	0	0
15	Subtotal of Major Pass-Through Items		60,722,704	23,104,709	13,346,315

SOUTH JERSEY GAS COMPANY
CALCULATION OF ADJUSTED TEST YEAR
DEFERRED FEDERAL INCOME TAX INCLUDED IN RATE BASE

Line No.		PTY ADDITIONS	ADDED TAX DEPRECIATION	DEFERRED TAX ADJUSTMENT	DFIT IN RATE BASE
1	Projected DFIT Rate Base Balance 8/31/17				(424,010,128)
2	Annualized Book Depreciation*		1,370,162		
3	Normalization on PTY Additions 9/17-2/18:				
4	Book Depreciation*	1,370,685			
5	Tax Depreciation-Federal**	(38,400,073)			
6	Federal Tax Depreciation Over Book		(37,029,388)		
7	Total Added Tax Depreciation		(35,659,226)		
9	Deferred FIT (@ effective FIT rate of 35%)			(12,480,729)	
10	PTY Federal Net Operating Loss - Deferred Tax Asset			2,231,000	
11	Pro Forma Adjustment to Rate Base			(10,249,729)	
12	Projected Adjusted DFIT Rate Balance 8/31/17				(434,259,857)

* Sourced from TSK-13 Depreciation of Utility Plant in Service
** Includes Bonus Depreciation and First Year MACRS tax depreciation rate - 20 year life using half year convention

TSK-12B
3&9

SOUTH JERSEY GAS COMPANY
CALCULATION OF ADJUSTED TEST YEAR
DEFERRED NJ CORPORATE BUSINESS TAX INCLUDED IN RATE BASE

Line No.		PTY ADDITIONS	ADDED TAX DEPRECIATION	DCBT IN RATE BASE
1	Projected Rate Base Balance 8/31/17			(66,038,250)
2	Annualized Book Depreciation*		1,370,162	
3	Normalization on Additions 9/17-2/18:			
4	Book Depreciation*	1,370,685		
5	Tax Depreciation-State @ 3.75%**	(3,094,034)		
6	State Tax Depreciation Over Book		(1,723,350)	
7	Added Tax Depreciation		(353,188)	
8	Pro Forma Adjustment - Deferred NJ CBT @ 9.00%			(31,787)
9	Adjusted Rate Balance @ 8/31/17			(66,070,037)

* Sourced from TSK-13 Depreciation of Utility Plant in Service
** First Year MACRS tax depreciation rate - 20 year life using half year convention

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO AUGUST 31, 2017 OPERATING INCOME AND RATE BASE
DEPRECIATION EXPENSE AND ACCUMULATED DEPRECIATION

Line No.		PTY Utility Plant in Service	PTY Depreciation Expense	Summary Depreciation Expense Adjustments
1	**Depreciation Expense:**			
2				
3	Adjustment due to Annualization of Depreciable Plant Additions			$ 1,370,162
4				
5	Adjustment due to Increase in Proposed Annual Net Negative Salvage Allowance			$ 2,624,444
6				
7	Adjustment due to Decrease in Non-Legal Asset Retirement Obligation (ARO) Credit			$ 251,046
8				
9	Adjustment due to Post-Test Year Additions (PJZ-2)	$ 55,333,500	$ 1,084,537	$ 1,084,537
10				
11	Retirements After August 31, 2017 (PJZ-2)	$ (9,611,588)	$ (188,387)	$ (188,387)
12				
13	Adjustment due to Major Construction Projects (RFF-1)	$ 36,785,667	$ 474,535	$ 474,535
14				
15				
16	**Total Pro Forma Adjustment to Depreciation Expense**	**$ 82,507,579**	**$ 1,370,685**	**$ 5,616,337**
17				
18	**Accumulated Depreciation:**			
19				
20	Pro Forma Depreciation Expense			$ (5,616,337)
21				
22	Less: Retirements After August 31, 2017			$ 9,611,588
23				
24	**Total Pro Forma Adjustment to Accumulated Depreciation in Rate Base**			**$ 3,995,250**

TSK - 13A
3&9

South Jersey Gas Company
Non-Legal Asset Retirement Obligation Amortization

Line No.			(a) Start Reserve	(b) COR Amort.	(c) Net Salvage Allowance	(d) Net Salvage Incurred		(e) End Reserve
1	**Jul-14**	$	38,429,700	(101,387)	118,068	(346,909)	$	38,099,472
2	**Aug-14**	$	38,099,472	(101,387)	118,068	(201,092)	$	37,915,061
3	**Sep-14**	$	37,915,061	(101,387)	118,068	(526,751)	$	37,404,990
4	**Oct-14**	$	37,404,990	(88,344)	199,181	(788,777)	$	36,727,050
5	**Nov-14**	$	36,727,050	(88,344)	199,181	(424,275)	$	36,413,611
6	**Dec-14**	$	36,413,611	(88,344)	199,181	(584,414)	$	35,940,033
7	**2015**	$	35,940,033	(1,060,130)	2,390,167	(4,625,823)	$	32,644,247
8	**2016**	$	32,644,247	(1,060,130)	2,390,167	(4,946,659)	$	29,027,625
9	**Jan to Aug 2017**	$	29,027,625	(706,753)	1,593,445	(3,147,133)	$	26,767,183

New Shortfall (net col's c & d)	**(8,266,310)**

10	Projected Balance Available to be Returned to Customer as of Aug 31, 2017	$	26,767,183
11	Number of Years Remaining from the Original 40-Year Amortization Period		33 1/12
12	Projected Annual Amortization of Regulatory Liability	$	809,084
13	Current Annual Amortization of Regulatory Liability included in Rates (BPU Docket No. GR1311113	$	1,060,130
14	**Proposed Decrease in Annual Amortization of Regulatory Liability**	**$**	**(251,046)**
15	Proposed Provision for Annual Net Negative Salvage (3-year average)	$	5,014,611
16	Current Provision for Annual Net Negative Salvage	$	2,390,167
17	**Proposed Change in Annual Net Negative Salvage**	**$**	**2,624,444**

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENT TO AUGUST 31, 2017 OPERATING INCOME
INCOME TAXES

Line No.			
1	Pre-Tax Adjustments (KJB-3)		$ (16,234,079)
2			
3	Interest Synchronization:		
4			
5	Rate Base (KJB-2)	$ 1,635,111,330	
6			
7	Total Weighted Cost of Long Term Debt (PRM-1 PG 1)	1.69%	
8			
9	Annualized Interest Expense	$ 27,633,381	
10			
11	Less: Test Year Interest Expense	$ (26,929,700)	
12			
13	Net Interest Expense		$ (703,681)
14			
15			
16	Total Pre-Tax Adjustments		$ (16,937,760)
17			
18	Income Tax Rate		40.85%
19			
20	Decrease to test year income taxes		$ (6,919,075)
21			
22	AIRP II AFUDC Tax Adjustment		$ (8,406)
23			
24	**Total Decrease to test year income taxes**		**$ (6,927,481)**

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENT TO AUGUST 31, 2017 OPERATING INCOME
MORTALITY TABLE CHANGE IMPACT - PENSION EXPENSE

Line No.	Year	Salaried/Management Plan	Bargaining Plan	Total	Expense Ratio	Incremental Expense	Basis
1	2015	$ 742,516	$ 1,354,525	$ 2,097,041	48.0%	$ 1,006,580	Actual
2	2016	477,465	860,827	1,338,292	50.0%	669,146	Actual
3	2017	418,000	860,000	1,278,000	50.0%	639,000	Estimate
4	Total	$ 1,637,981	$ 3,075,352	$ 4,713,333		$ 2,314,726	
5							
6				Pojected Amortization Period		15	Years
7							
8				**Pro-Forma Adjustment - Annual Amortization**		**$ 154,315**	
9							
10				Test Year Expenses			
11							
12				September - December 2016		$ 223,049	
13				January - August 2017		$ 426,000	
14							
15				**Pro-Forma Adjustment - Pension Expense**		**$ 649,049**	

Direct Testimony
of
Robert F. Fatzinger
Senior Vice President, Engineering Services and System Integrity
South Jersey Gas Company
January 2017

I. INTRODUCTION

Q. Please state your name and your business address.

A. My name is Robert F. Fatzinger, and my business address is 1 South Jersey Plaza, Folsom, New Jersey 08037.

Q. By whom are you employed and in what capacity?

A. I am Senior Vice President, Engineering Services & System Integrity for South Jersey Gas Company ("South Jersey" or the "Company"). In this position, I am responsible for providing leadership and strategic direction for the Company's engineering, pipeline, integrity management, gas supply and allocations functions.

Q. Please briefly summarize your educational background and industry related experience.

A. I am a 1981 graduate of Lehigh University with a Bachelor of Science degree in Electrical Engineering. I have been employed by South Jersey Industries ("SJI") since March 2001 and have held various management positions of increasing responsibility in the regulated and non-regulated areas of the corporation. These positions have included Director – Appliance Warranty Programs (SJG) from March 2001 – June 2003, Vice President South Jersey Energy Service Plus from June 2003 – December 2005, and VP/COO South Jersey Energy Service Plus and Vice President South Jersey Energy Solutions from January 2006 – April 2007. In April 2007, I was elected Vice President of Gas Delivery for South Jersey Gas and in July 2007, I became Vice President, Customer & Distribution Operations. On January 1, 2013, I was promoted to Senior Vice President, Customer & Distribution Operations. Thereafter, on August 1, 2013, I assumed my current position.

I am a member of the American Gas Association (AGA) and the Northeast Gas Association, and currently serve on the Operations Managing Committees of both organizations. I am also a Board member of the New Jersey Clean Cities Coalition. Prior to working at SJI, I was employed by Atlantic Electric (later, Conectiv) from June 1981 through February 2001. I held a number of engineering, operations and management positions with those companies, including Staff Distribution Engineer, Field Operations Engineer, District Supervisor, Manager – Operations, Manager – Power Delivery, Manager – Process Improvement (Conectiv Services) and Corporate Safety Manager.

Q. Have you previously testified before the New Jersey Board of Public Utilities on behalf of South Jersey Gas?

A Yes. I previously provided testimony in the Company's 2010 base rate proceeding (Docket No. GR10010035); the 2013 base rate proceeding (Docket No. GR13111137); the 2013 Accelerated Infrastructure Replacement Program (AIRP) and Recovery Mechanism (Docket No. GO12070670); and the Company's 2016 Accelerated Infrastructure Replacement Program Extension (AIRP II) and AIRP Base Rate Adjustment proceeding (Docket No. GR16020175).

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony in this proceeding?

A. My testimony in this case provides an overview of the Company's distribution and transmission systems and discusses the Company's activities to ensure compliance with the transmission Pipeline Integrity Management regulations ("PIM") and its Distribution Integrity Management Program ("DIMP"). I will also provide information related to a number of post-test year Transmission and Production capital expenditures that South Jersey is proposing to include in rate base, including the Lawnside Pipeline Refurbishment Project ("Lawnside Project"). The Lawnside Project is comprised of: (i) the replacement of a 5-mile segment of distribution pipeline necessary to provide adequate operating pressures to customers in Camden and Burlington Counties; (ii) modification of the Company's Lawnside Gate Station, which serves as an interconnect point between the Company's system and the Transcontinental Gas Pipe Line Company, LLC ("Transco") interstate pipeline; and (iii) reconstruction of the Company's Hi-Nella and Lindenwold Distribution Stations. This project will address a critical infrastructure need and is expected to be completed and in service by the fourth quarter of 2017. I will also provide an overview of system reliability and cost benefits associated with the recently constructed natural gas liquefaction plant at the Company's McKee City facility. Finally, I will address the Company's most recent initiatives concerning compressed natural gas ("CNG") vehicles and fueling stations in support of the goals of the New Jersey Energy Master Plan.

III. OVERVIEW OF THE COMPANY'S DISTRIBUTION AND TRANSMISSION SYSTEMS

Q. Can you please provide a brief overview of the Company's distribution and transmission systems?

A. South Jersey serves approximately 375,000 customers within its defined service territory of approximately 2,500 square miles, which includes all or portions of Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester and Salem counties. As of December 31, 2016, the Company operates a network of 146 miles of transmission pipelines, 6,527 miles of distribution mains, and 380,394 service lines that total 6,154 miles in length. SJG's transmission pipelines range in diameter from 8 to 24 inches, and the distribution mains range in diameter from 1 ¼ to 20 inches. The service lines are predominantly (+85%) 1 inch or less in diameter. The distribution system also includes various other forms of infrastructure, including line valves, pressure regulators and meter stations. The network operates in various pressure configurations depending on a variety of factors, including material type and vintage. Specifically, portions of the SJG transmission system operate at a maximum allowable operating pressure ("MAOP") of 700 pounds per square inch gauge ("psig"), while other areas of the distribution system operate at an MAOP of only 0.25 psig. The distribution system also contains a Liquefied Natural Gas ("LNG") peak shaving facility that provides important pressure support to the system in addition to serving as on-system storage for LNG supplies that the Company produces with its recently constructed liquefaction facility.

IV. PIPELINE INTEGRITY MANAGEMENT (PIM) AND DISTRIBUTION INTEGRITY MANAGEMENT PROGRAM (DIMP)

Q. How does the Company ensure pipeline safety throughout its system?

A. South Jersey has maintained compliance with the Federal pipeline safety regulations on pipeline integrity as found at 49 CFR 192 - Subpart O since these regulations went into effect in December of 2003. Achieving compliance with the regulations required the development and subsequent implementation of an integrity management program for the specific transmission pipelines covered under this part. As of December 31, 2016, South Jersey operates 146 miles of transmission pipeline which are subject to the Pipeline Integrity Management (PIM) regulations. This detailed and comprehensive South Jersey program includes:

- An ongoing identification of “high consequence areas” to delineate covered pipeline segments;
- The development of a baseline assessment and reassessment plan;
- Data integration and risk assessment to determine how to address each covered pipeline segment; and
- The selection and implementation of a baseline integrity assessment technique, which addresses the specific risks associated with each covered pipeline segment.

South Jersey successfully met the December 17, 2012 regulatory deadline established for the completion of the initial baseline integrity assessments of its covered facilities. Additionally, some of these facilities have been reassessed ahead of the 7-year Federal requirement at the request of the NJ BPU Bureau of Pipeline Safety.

On December 4, 2009, the United States Department of Transportation–Pipeline and Hazardous Materials Safety Administration (PHMSA) published the final rule on Integrity Management for Gas Distribution Pipelines, which is applicable to gas distribution operators such as South Jersey and became effective February 2, 2010. The compliance deadline for each operator to develop a written Distribution Integrity Management Program (DIMP) plan was August 2, 2011.

Q. What do the PIM regulations require with respect to the DIMP plan?

A. The regulations mandate that a risk-based approach to distribution main and service integrity management plans be prepared by each operator. While the regulations prescribe a specific framework for documenting operating practices and procedures into a plan, the regulations provide significant operator flexibility to satisfy the requirements. At a minimum, each distribution pipeline operator's DIMP plan must address the seven major elements described below. South Jersey's DIMP plan documents the Company's risk-based approach to integrity management according to the required elements as follows:

(1) **Knowledge. "**Knowledge" entails the documentation of information pertaining to system design, materials, operating characteristics and environmental factors. South Jersey's DIMP plan references data contained in the Company's Field Book geographic information system, including leak and asset management and the corrosion control records system. The combination of these tools allows South Jersey to maintain, store, report and analyze critical data related to its distribution infrastructure.

(2) **Identify threats.** Threat identification determines broad issues that may affect the safe operation of the distribution system. Potential threats include the categories of potential operational hazards established by PHMSA. South Jersey relies on both

internal and external data sources to identify threats. Internal data sources include various design and operating records contained in the systems noted previously. External data sources include industry-wide data, and data related to soil conditions or prepared by independent researchers.

(3) **Evaluate and rank risks.** The process of evaluating and ranking risks determines the relative importance of all identified risks. Importance takes into consideration both the likelihood of an occurrence and the consequences of such occurrence. South Jersey relies on standard industry analyses, such as population densities in specific areas, to evaluate consequences of failure and ranks risks accordingly.

(4) **Identify and implement measures to address risks.** This element included in South Jersey's DIMP plan documents measures taken to reduce risk of failure. Programs at South Jersey that address risks include leak management, damage prevention, corrosion control, public awareness and operator qualification programs. Specific actions include prevention, detection, repair, rehabilitation, and/or replacement and upgrade, depending on the risk-based probability of an occurrence and consequences of the specific integrity threat.

(5) **Measure performance, monitor results, and evaluate effectiveness.** Monitoring and measurement activities allow South Jersey to evaluate the effectiveness of actions implemented by the Company to address risks. South Jersey measures performance from a variety of information including the collection of data on leak causes and leaks repaired or eliminated. This data is reported and communicated within South Jersey for evaluating trends and to provide input for future planning purposes.

(6) **Periodic evaluation and improvement.** Periodic evaluations establish a definitive feedback loop for the overall distribution integrity management processes. Additionally, as knowledge concerning the distribution system or information on potential threats is gained, elements of the DIMP plan or required actions may be revised to take into account the impact of the enhanced understanding as it impacts South Jersey's integrity management activities.

(7) **Report results.** Reporting on integrity management actions and results provides information to South Jersey's internal management, and further satisfies Federal and State mandated reporting requirements.

Q. What actions has the Company taken to ensure compliance with the DIMP requirements?

A. In accordance with Federal regulations, South Jersey finalized and began implementation of its DIMP in August 2011. Since then, the DIMP plan has been reviewed and updated annually, reflecting the most current data and system risk profile for SJG's distribution system. This updated profile forms the basis for actions taken by the Company to mitigate the most significant identified risks. Additionally, a complete program re-evaluation is conducted at least every three years. The most recent re-evaluation occurred in 2014.

Q. Has the Company incurred expenses associated with ensuring PIM/DIMP compliance?

A. The Company has incurred both capital upgrade expenditures and incremental operating and maintenance (O&M) expenses associated with complying with the transmission and distribution PIM regulations. The capital upgrades have included expenditures associated with physical piping replacements, valve change outs, and station piping retrofits to accommodate in-line inspection tools. The incremental O&M expenses have included expenditures such as the consulting and inspection fees associated with running the in-line inspection tools, and the costs of performing confirmatory field excavations on the pipe to remediate or repair any identified anomalies. The additional capital expenditures have been absorbed by the Company in its annual capital construction budget each year as incurred. The incremental O&M expenses associated with complying with the PIM regulations have been treated as a deferred expense. As of November 30, 2016, these deferred expenses totaled $2,821,861 for transmission integrity management activities, and $1,131,497 for distribution integrity management activities. As more pipeline segments have integrity assessments performed, these costs will continue to accrue, and their magnitude will be directly related to the findings associated with the results of each assessment. Projected deferred expenses as of the end of the test year total $3,220,165 for transmission integrity management activities and $1,520,381 for distribution integrity management activities. The Company's proposed recovery and amortization of these amounts are addressed in Exhibit P-3, Direct Testimony of Kenneth Barcia, and included in Schedule KJB-15.

V. <u>POST-TEST YEAR CONSTRUCTION</u>

Q. Is the Company requesting recovery of any post-test year construction expenditures in this proceeding?

A. Yes. South Jersey is proposing to include in rate base capital expenditures associated with post-test year construction projects which are known and measurable, consistent with Board precedent, including *In Re Elizabethtown Water Company Rate Case*, BPU Docket No. WR8504330 (May 23, 1985). Mr. Zuccarino's Direct Testimony (Exhibit P-6) addresses post-test year plant which is not related to Transmission and Production facilities. My testimony and Schedule RFF-1 relate only to post-test year Transmission and Production Plant. The proposed post-test year capital expenditures identified in Schedule RFF-1 are each "prudent and major in nature and consequence" and, therefore, should be included in rate base. These projects represent significant investments South Jersey is making, which constitute major infrastructure replacement, improvement or system expansion upgrades. These projects include:

- Distribution Regulator Station Replacement, Reconstruction, and Refurbishment;
- District Regulator Station Security;
- Additional SCADA Monitoring Points;
- LNG Tank Valve Control Panel Replacement;
- Replacement of Gate Station Line Heater;
- Farm Tap Elimination;
- Pipeline Lateral Uprating;
- Cape May SCADA Building; and
- Lawnside Pipeline Refurbishment Project.

Q. Please explain how the post-test year adjustment is calculated.

A. The post-test year adjustment in this initial filing is based on a projection of capital expenditures to be made by the Company during the period September 1, 2017 through February 28, 2018. These expenditures, summarized in Schedule RFF-1, were projected in the Company's budget process. I am using the amount of $36.8 million contained in

Schedule RFF-1 as a surrogate for the actual adjustment. More precise numbers will be provided in conjunction with the Company's 12-month update, as we get closer to the construction and in-service dates.

Each of these projects are "prudent and major in nature and consequence." Additionally, each of them will allow South Jersey to continue to provide safe, adequate, and proper service. Investment in each of these projects is, therefore, prudent. Moreover, the cost for each project is reasonable. South Jersey's estimated costs for these projects have been determined using engineering design and costing methods. These estimated project costs serve as the basis for the capital expenditures projected by the Company during the post-test year period. These capital expenditure estimates were prepared for the Company's annual budget process and are currently approved by the Company's Board of Directors.

South Jersey engages in negotiating and bidding procedures to ensure that our construction costs are kept to a minimum, consistent with generally accepted engineering and construction practices. Under certain circumstances, South Jersey solicits bids from prospective contractors on a specific project scope basis. In other circumstances, the Company solicits proposals on a blanket contract basis. In this way, South Jersey retains the contracting flexibility needed to optimize the expenditure of capital dollars while maintaining control of the project construction timeframe requirements.

The Company's recovery of a return on and a return of these post-test year investments is well justified. South Jersey has planned significant capital investments which are known and measurable, and major in nature and consequence.

VI. LAWNSIDE PIPELINE REFURBISHMENT PROJECT

Q. Please briefly describe the Company's Lawnside Pipeline Refurbishment Project.

A. Included in South Jersey's proposed post-test year plant adjustment is the refurbishment of its Lawnside pipeline and associated improvements to its Lawnside gate station and Hi-Nella and Lindenwold distribution stations. The Lawnside pipeline is an existing 12-inch gas distribution line that was installed in 1962 and operates at 250 psig. The pipeline provides a direct connection to the Transco interstate pipeline in Lindenwold, New Jersey, and serves the Camden and Burlington County portions of the Company's distribution system. From its interconnection point with Transco, the Lawnside pipeline extends south and east through Camden and Atlantic counties with varying diameter and vintage pipe.

Based on operating pressure and gas flow analyses, the Company determined that the Lawnside pipeline, alone, is not able to provide adequate gas delivery pressures in Camden and Burlington Counties during peak load periods, which creates a localized operational constraint and results in other parts of SJG's gas system partially flowing gas towards the load constraint area to provide adequate gas delivery pressure. On peak days, gas that would normally flow towards Atlantic County instead flows north on the Lawnside pipeline to reinforce the gas supply in Camden and Burlington Counties. This reduces delivery pressures to Atlantic County and creates a higher risk of insufficient pressures during extremely cold weather.

South Jersey has concluded that it is necessary to replace 5 miles of its existing Lawnside line with a new 16-inch main operating at 600 psig. This system enhancement will provide adequate operating pressures to Camden and Burlington Counties on the coldest days, alleviate growth restrictions, and allow other parts of SJG's gas system to operate as originally designed to satisfy customer gas demands in other areas of its service territory.

In conducting its analysis, South Jersey evaluated a number of operational alternatives to address the system constraints in Camden and Burlington Counties and concluded that the Lawnside Pipeline Refurbishment Project is the most prudent and cost effective option to resolve the issues that have been identified. The alternatives considered included other pipeline upgrades, changes in the manner in which South Jersey operates its transmission and distribution system, expansion of South Jersey's existing LNG facility, and the availability of a new LNG or propane-air supply source. In comparing the operational and cost components of each of these alternatives, South Jersey concluded that the Lawnside Pipeline Refurbishment Project is the most viable and cost-effective approach to reinforce its gas distribution system serving Camden and Burlington Counties.

As of January 2017, the engineering, design and construction contract for the Lawnside Pipeline Refurbishment Project has been awarded and permitting for the project is underway. The Company intends to file a Petition with the Board for approval to construct the Pipeline pursuant to N.J.A.C. 14:7-1.4 and, assuming the Board approves the Company's proposal, construction is anticipated to be completed by the fourth quarter of 2017 in advance of the 2017-2018 winter heating season.

VII. COMPRESSED NATURAL GAS VEHICLE INITIATIVES

Q. Please describe the Company's efforts to support the State's Energy Master Plan including its stated goal of facilitating the infrastructure needed to support broader use of alternatively-fueled vehicles.

A. The New Jersey Energy Master Plan-2015 Update (EMP) supports the use of alternative fueled vehicles to achieve the overall energy and environmental goals of the State. In order to capitalize on emerging technologies for transportation, the EMP acknowledges that:

> The State must continue to expand its efforts to promote the use of alternative fuel vehicles. The State is committed to promoting and removing barriers to the development of infrastructure needed throughout the [S]tate to encourage heavy duty vehicle class conversions from expensive and polluting diesel fuel to less costly and clean natural gas (CNG and LNG). The State will continue to facilitate the infrastructure needed to support broader use of alternatively-fueled vehicles by fleet owners as well as individuals.

The EMP further recognizes that work is needed to accelerate the progress to achieving its stated goal of improving vehicle efficiency. In so doing, the EMP states that the "BPU and DEP will continue to develop policies that remove barriers and expand the use of the entire array of alternative fuel vehicles, including…vehicles powered by Compressed Natural Gas (CNG)…that [have] the potential to increase mileage efficiency and reduce emissions." In addition, the EMP states that the "BPU and DEP are working to develop incentives to promote and increase the use of alternatively fueled vehicles including CNG and electric vehicles in New Jersey."

SJG has made a commitment to building an infrastructure for natural gas vehicles to benefit business, consumers and the environment, and to support the EMP's goal of promoting alternatively fueled vehicles.

In 2011, SJG began converting its fleet to CNG and made a commitment to completely convert its fleet over the next 10 years. SJG introduced its 100th CNG vehicle to its fleet in May 2016 and will convert its entire fleet by 2020. CNG vehicles are a critical part of the EMP and offer both environmental and cost benefits over diesel fuel vehicles. Once fully converted, SJG will have eliminated the use of approximately 457,000 gallons of gasoline per year. We will also lower our greenhouse gas emissions by 1,139 tons per year, the equivalent of taking 219 passenger cars off the road. By converting its fleet to CNG, SJG is experiencing fuel savings of approximately $3,300 per year for a utility truck and $9,400 per year for a street truck based on current gasoline prices.

Since the BPU approved the Company's NGV tariff in 2010, SJG now serves seven CNG stations in its territory. In addition to the private stations that we serve, SJG is also undertaking a CNG station building program to not only provide a CNG fueling source for its fleet, but also to have stations available to the public in an effort to help stimulate the CNG market, as encouraged by the EMP. SJG has constructed and operates three CNG stations thus far and plans to construct an additional three public access stations in 2017 that will be strategically located to serve the SJG fleet and other natural gas vehicle operators. Stations are designed to provide a similar fueling experience as a traditional gasoline station, with similar fueling times, no attendant needed and payment made at the pump using fleet or typical credit cards.

SJG is also proud to have partnered with third-party fueling station operators to include CNG pumps at their stations in strategic locations that provide easy access for natural gas vehicle fleets. In March 2016, Wawa opened its first CNG fueling station at its Paulsboro, New Jersey location near the intersection of Interstate Highway 295. SJG has also entered into an agreement with Riggins Oil, a locally owned gasoline station operator, to provide CNG fueling capability at its Malaga, New Jersey location. The station is expected to be operational in early 2017.

Since the first CNG station opened in the region in 2011, CNG now displaces over 1,200,000 gallons of petroleum based fuel annually and there are over 400 NGVs based in South Jersey.

South Jersey also intends to continue its efforts towards providing customers with NGV refueling opportunities by amending its tariff to further the EMP goal encouraging the "construction, operation and maintenance of CNG refueling stations for business fleets." By way of this filing, the Company is proposing modifications to its NGV tariff that would provide for the Company's construction, ownership and operation of NGV stations on customer property. SJG believes this service offering will help encourage fleet operators to convert to CNG. This tariff proposal is discussed in more detail in the Direct Testimony of Mr. Barcia.

VIII. NATURAL GAS LIQUIFIER SYSTEM

Q. Please describe how the Company's new LNG liquefier ensures overall system reliability and is an integral part of South Jersey's system for achieving adequate design day pressure.

A. In 2013, in response to the changes in the Liquefied Natural Gas ("LNG") industry marketplace, South Jersey Gas determined that owning and operating its own liquefaction facility at its McKee City LNG facility site was the most prudent, economically viable option for South Jersey's long-term LNG supply needs.

By way of background, the Company relies on 75,000 dts/day of LNG to meet design day requirements and relies on LNG to provide adequate operating pressure during extremely cold weather. The critical nature of the Company's McKee City LNG facility became evident during the 2013-2014 winter season when LNG was vaporized on 29 days for a total quantity of 359,260 Mcf. Most recently, during the 2015-2016 winter season, with warmer than typical temperatures, LNG was vaporized on 15 days for a total quantity of 149,574 Mcf.

South Jersey historically secured its LNG supply requirements through a competitive bidding process that took place during the summer. LNG supplies were then delivered to the Company's LNG facility by truckloads, the number of which varied from year-to-year but typically exceeded 200 truckloads during the April-October timeframe. Over time, it became increasingly difficult for the Company to secure reliable and cost effective LNG supplies. This was caused, in part, due to the fact that LNG became an attractive fuel choice for a variety of transportation applications, which increased competition for LNG supply with traditional users like South Jersey. Moreover, due to the seasonal nature of South Jersey's LNG purchase requirements, the Company was faced with unacceptably high demand charges and supply agreements that did not satisfy the Company's volumetric requirements. The Company found that owning and operating its own liquefaction facility, rather than trucking LNG in, would ensure that LNG was available at a prudent cost and not subject to marketplace pressures, which had already created cost and reliability issues.

Construction of the liquefaction facility at South Jersey's McKee City facility was completed and placed into service in November 2016. As a result, SJG is utilizing the new facility for its 2016-2017 winter season supply needs to ensure overall system reliability at the most cost effective rate.

IX. SUMMARY

Q. Can you briefly summarize your testimony?

A. South Jersey Gas has taken significant actions to ensure the integrity and reliability of its transmission and distribution systems, as well as ensuring compliance with transmission and distribution integrity management regulations. With the addition of liquefaction capabilities in McKee City, the Company is not subject to market conditions that could adversely impact the cost and reliability of a critical LNG supply. The Company is also taking additional steps towards ensuring the reliability of our system by engaging in necessary upgrades and by constructing the Lawnside Pipeline Refurbishment Project. Finally, the Company supports the goals of the State's EMP and continues to advance initiatives that promote and facilitate increased use of alternatively fueled vehicles, including CNG vehicles in New Jersey.

Q. Does this conclude your testimony?

A. Yes, it does.

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO AUGUST 31, 2017
MAJOR CONSTRUCTION PROJECTS

Line No.	Project Name	Actuals as of Aug-16	Test Year Projection	Post-Test Year Projection	Total Projection	Projected In Service Date
1	Pedricktown Distribution Regulator Station	$0	$194,700	$154,000	$348,700	September 2017
2	Pedricktown Distribution Main	$0	$16,600	$132,000	$148,600	September 2017
3	Echelon Mall Stations	$0	$44,600	$104,500	$149,100	September 2017
4	Replace Mexichem Station	$0	$151,100	$76,900	$228,000	December 2017
5	Replace CertainTeed Station	$0	$132,400	$65,300	$197,700	October 2017
6	Reconstruct Mannington Mills Station	$0	$151,100	$74,600	$225,700	October 2017
7	Replace Ocean Heights Station	$0	$151,100	$76,900	$228,000	December 2017
8	District Regulator Station Surveillance	$0	$241,400	$119,200	$360,600	October 2017
9	Rebuild Distribution Regulator Stations	$421,229	$524,722	$188,800	$1,134,751	October 2017
10	District Regulator Station Security	$0	$74,800	$38,000	$112,800	December 2017
11	Purchase Volume Correcting Instruments	$0	$165,100	$84,000	$249,100	December 2017
12	Additional SCADA Monitoring Points	$0	$199,600	$101,500	$301,100	December 2017
13	LNG Tank Valve Control Panel Replacement	$0	$113,400	$55,900	$169,300	October 2017
14	Replace Harmony Road Line Heater	$0	$489,600	$241,600	$731,200	October 2017
15	Farm Tap Elimination	$0	$875,500	$1,160,200	$2,035,700	December 2017
16	Deepwater Lateral Uprating	$19,946	$1,538,800	$412,500	$1,971,246	September 2017
17	Cape May SCADA Building	$36,480	$89,224	$18,800	$144,504	November 2017
18	Lawnside Pipeline Refurbishment Project	$0	$20,981,695	$7,067,872	$28,049,567	December 2017
19	Total Pro Forma Adjustment	$477,654	$26,135,440	$10,172,572	$36,785,667	

Direct Testimony
of
Paul J. Zuccarino
Senior Vice President, Distribution Operations
South Jersey Gas Company
January 2017

I. INTRODUCTION

Q. Please state your name, affiliation and business address.

A. My name is Paul J. Zuccarino, and my business address is 1 South Jersey Plaza, Folsom, New Jersey 08037. I am Senior Vice President, Distribution Operations for South Jersey Gas Company ("South Jersey" or the "Company"). In this position, I am responsible for providing leadership and direction for all distribution operations, including construction services, utility services, asset operations, and divisional office administration.

Q. Please summarize your educational background and industry related experience.

A. I am a 1983 graduate of the Richard Stockton College of New Jersey with a Bachelor of Arts degree in Political Science. I began my employment with South Jersey Industries ("SJI") in 1984 and have held various management positions of increasing responsibility. These positions have included various analyst and supervisory positions at SJI from 1984 through 2001; Manager, Distribution Operations for South Jersey from 2001 through 2004; Director, Distribution Operations for South Jersey from 2004 through 2008; Director, Construction Services for South Jersey from 2008 through 2012; and Vice President, Distribution Operations from 2013 through 2016. On October 1, 2016, I was promoted to my current position, Senior Vice President, Distribution Operations for South Jersey.

I am a member of the American Gas Association (AGA), and currently serve on its Utility & Customer Field Services Committee. I am also a member of the Northeast Gas Association (NGA), and currently serve on its Construction & Maintenance Committee.

Q. Have you previously testified before the New Jersey Board of Public Utilities on behalf of South Jersey Gas?

A. Yes. I previously provided testimony in the Company's 2013 base rate case (Docket No. GR13111137); the 2014 Approval of Storm Hardening and Reliability Program (SHARP) and Recovery Mechanism (Docket No. GO13090814); the 2015 Storm Hardening and Reliability Program (SHARP) Base Rate Adjustment proceeding (Docket No. GR15040496); the 2016 Storm Hardening and Reliability Program (SHARP) Base Rate Adjustment proceeding (Docket No. GR16040387); and the Company's 2016 Accelerated Infrastructure Replacement Program Extension (AIRP II) and AIRP Base Rate Adjustment proceeding (Docket No. GR16020175).

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony in this proceeding?

A. My testimony in this case will address the recovery of capital expenditures incurred and to be incurred by the Company during the test year and post-test year periods. I will discuss the investments the Company has made under its Accelerated Infrastructure Replacement Program ("AIRP") and its second phase of AIRP investments ("AIRP II"), including the progress the Company has made in reinforcing its aging infrastructure through main replacements and reducing its leak inventory. I will also discuss the Company's accomplishments under its Storm Hardening and Reliability Program

("SHARP") and the significant distribution system improvements the SHARP program has provided for the Company and its customers on the barrier islands.

III. TEST YEAR CONSTRUCTION PROGRAM

Q. Please summarize the capital expenditures during the proposed test year for which the Company is seeking rate relief.

A. South Jersey is proposing to include in rate base, capital expenditures incurred during the test period, September 1, 2016 through August 31, 2017. Capital expenditures during this period include construction spending for new business; replacement of main, services and meters; production, transmission and distribution equipment; as well as capital expenditures relating to the South Jersey's fleet, facilities, communication equipment and information technology. Also included in the test year submittal of capital expenditures are projects relating to the AIRP II, which was approved by the Board of Public Utilities on October 31, 2016, as well as investments related to the last year of SHARP. Further details regarding AIRP, AIRP II and SHARP are provided later in my testimony and the Company's treatment of AIRP II and SHARP test year investments and revenue requirements are addressed in the Direct Testimony of Kenneth J. Barcia (Exhibit P-3).

For the purpose of this initial filing, South Jersey has based its test year capital spending on three months of actual expenditures and nine months of projected expenditures. As the test year is fully realized, South Jersey will replace the projected data with actual expenditures. By the end of this proceeding, the test year will include actual capital expenditures for the period September 2016 through August 2017.

Schedule PJZ-1, attached hereto, is a summary of the actual and projected capital expenditures for the test year. It is this amount of $195.3 million that I have used as a surrogate for the actual results, which will be provided in conjunction with the Company's 12-month update to be submitted in this case.

IV. <u>POST-TEST YEAR CONSTRUCTION</u>

Q. Please summarize the post-test year capital expenditures for which South Jersey is seeking rate relief in this proceeding.

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

In this initial filing, I am sponsoring a post-test year adjustment based upon a projection of capital expenditures to be made by the Company during the period September 1, 2017 through February 28, 2018. These expenditures, summarized in Schedule PJZ-2, were projected in the Company's budget process. I am using the amount of $55.3 million contained in Schedule PJZ-2 as a surrogate for the actual adjustment, which will be provided in conjunction with the 12-month update. Schedule PJZ-2 is merely a placeholder and the descriptions and numbers contained therein are representative of what will be included in the 12-month update. In the 12-month update, South Jersey will provide a discussion of the post-test year adjustments it seeks to include in rate base and I will provide supplemental testimony that will support the inclusion of the post-test year expenditures in rate base that are known and measureable and major in nature and consequence.

Although Schedule PJZ-2 is a summary of South Jersey's capital budget projections, it does not include Transmission and Production related post-test year construction expenditures. Transmission and Production related post-test year expenditures for which South Jersey is seeking rate base recognition are addressed in Mr. Fatzinger's Direct Testimony (Exhibit P-5) and accompanying Schedule RFF-1. Schedule PJZ-2 also does not include any post-test year construction expenditures related to the AIRP II, as these investments will be included in the Company's 2018 AIRP II base rate adjustment.

V. <u>ACCELERATED INFRASTRUCTURE REPLACEMENT PROGRAM (AIRP)</u>

Q. Please provide a brief overview of the Company's Board approved AIRP.

A. South Jersey maintains and upgrades it infrastructure to ensure that it continuously provides safe, adequate and proper service to its customers. To that end, the Board has recognized the prudency and need for accelerating the replacement of aging and leak prone materials in a number of accelerated infrastructure proceedings in place and approved throughout the State since 2009, including South Jersey's Capital Investment Recovery Tracker ("CIRT"), AIRP and AIRP II.

South Jersey's AIRP was initially approved by the Board on February 20, 2013 in Docket No. GO12070670. The AIRP was approved as a four year program pursuant to which South Jersey was permitted to invest $35.3 million annually on the replacement of cast iron and/or unprotected bare steel mains and services. This annual amount could be under or over spent by 15 percent in any given year, but total AIRP expenditures over the course of the four year program could not exceed $141.2 million. The Company exhausted the authorized AIRP expenditure budget as of August 31, 2016.

Q. Was the AIRP extended beyond its initial four-year term?

A. Yes. On October 31, 2016, in Docket No. GR16020175, the Board issued an order authorizing the Company to implement the AIRP II. The AIRP II was approved as a five year program entitling South Jersey to invest up to $302.5 million, excluding AFUDC. This authorized investment amount was derived by applying an average cost per mile cap of $550,000 to a mileage cap of 110 miles per year, or 550 miles over the five year term of the program. In addition, the Company agreed to a stipulated base replacement amount of no less than 30 miles per year, or 150 miles over the five year term of the program, which is not recoverable through the AIRP II but is considered base capital to be recovered in a future base rate case.

Q. Please explain how the Company recovers its AIRP/AIRP II investment costs and provide an overview of the investments to date.

A. Pursuant to the Board's 2013 Order approving the AIRP, investment costs are to be reviewed at the time of the Company's next base rate case and the plant, construction period AFUDC and post construction carrying costs associated with the AIRP projects are to roll-in to base rates. By way of an Order dated September 30, 2014 in Docket No. GR13111137, approving the Company's most recent base rate case, the Board approved the roll-in of $66.7 million of AIRP investments made from the inception of the AIRP through September 30, 2014. These investments were reviewed extensively during the

Company's base rate case and found to be fair and reasonable and reflective of costs incurred to provide safe, adequate and reliable service.

Subsequently, by way of an Order dated October 31, 2016 in Docket No. GR16020175, the Board approved the roll-in of the remaining $74.5 million of AIRP investments that had been made from the time of the Company's last base rate case through August 31, 2016. In its Order, the Board approved a base rate adjustment, effective December 1, 2016, on a provisional basis and subject to refund based upon a finding of prudency in the Company's next base rate case.

Pursuant to the Board's October 31, 2016 Order in Docket No. GR16020175 approving the AIRP II, cost recovery for the AIRP II investments will occur annually, with the first base rate adjustment to take place on October 1, 2017 and the last base rate adjustment to take place on January 1, 2022. Generally speaking, AIRP II investments that are in service through June 30th of each year are added to base rates effective October 1st of the same year.

By dedicating these investments to the replacement of aging mains and services, South Jersey has made, and will continue to make, significant improvements to its distribution system. By the end of the first AIRP II year on June 30, 2017, South Jersey estimates that it will have invested a total of $45.4 million in AIRP II projects and will replace 82 miles of main and 4,800 services. The Company's treatment of the revenue requirements associated with AIRP II investments that will be made through June 30, 2017 is discussed in Mr. Barcia's Direct Testimony (Exhibit P-3).

Q. Pursuant to the Board's Orders approving the AIRP and AIRP II, the prudency and need for the Company's investments are to be reviewed at the time of the Company's next base rate case. Do you agree that the Company's AIRP/AIRP II investments were prudent and necessary capital investments?

A. Yes. The operational and public safety benefits of the AIRP/AIRP II have been apparent and abundant since inception of the programs. The AIRP/AIRP II have and will continue to modernize the Company's distribution system by removing from service a significant portion of the Company's inventory of pipe that is aging and more susceptible to leaks, thus reducing potential safety hazards and increasing the resiliency and reliability of the system. By replacing these materials with modern plastic pipe, the Company is more readily able to isolate and shutoff a smaller area of the system when performing repairs and maintenance, increasing reliability to its customers. The Company has also installed Excess Flow Valves on all services replaced under the AIRP and will continue to do so with the AIRP II, thereby increasing safety for its customers and the general public. Moreover, South Jersey is proud of the cost savings it has realized under AIRP/AIRP II by approaching the work in a multi-year, planned fashion, thus yielding lower construction, permitting and restoration costs, which we anticipate will continue and ultimately be reflected in future customer prices.

Cost savings have also been realized in areas of engineering, materials and outside contractor costs. South Jersey has witnessed the cost savings in the form of lower unit costs from contractors through the competitive bid process. In addition, the AIRP/AIRP II have helped control O&M and capital costs associated with emergency leak repair, leak survey and leak management work that would have occurred as the

Company's leak prone pipe continued to age. The Company has also added staff in areas of engineering, field supervision, administrative support and construction by virtue of the AIRP/AIRP II.

An additional benefit of the AIRP and AIRP II programs to South Jersey's distribution system is the elimination of open leaks. Pursuant to the Board's Order approving the AIRP, South Jersey was obligated to use its best efforts to reduce its October 31, 2012 inventory of open leaks by sixty percent (60%), or 632 leaks, during the term of the AIRP. South Jersey met and surpassed this target, eliminating 1,044, or ninety-nine percent (99%) of its October 31, 2012 inventory of open leaks, as of November 30, 2016. The Board's Order approving the AIRP II requires South Jersey to further reduce its leak inventory, from October 2016 through September 30, 2021, by twenty percent (20%) per year. South Jersey expects that, with the AIRP II program, it will eliminate all open leaks in inventory and convert to a "find and fix" mode for new incoming leaks.

When AIRP was first proposed by the Company in 2012, the Company estimated that it would reduce the time it would take to replace all of its aging cast iron and bare steel infrastructure from 50 years to approximately 10 years. Due to the success of AIRP and AIRP II thus far, South Jersey anticipates that it will achieve this 10 year target on or ahead of schedule, and will have eliminated all remaining bare steel and cast iron mains in its distribution system by 2021.

VI. STORM HARDENING AND RELIABILITY PROGRAM ("SHARP")

Q. Please provide a brief overview of the Company's Board approved SHARP.

A. On September 3, 2013, the Company filed with the Board its proposal to implement the SHARP. The filing was made pursuant to the Board's March 20, 2013 Order in *In the Matter of the Board's Establishment of a Generic Proceeding to Review Costs, Benefits and Reliability Impacts of Major Storm Event Mitigation Efforts*, Docket No. AX13030197, which directed Board Staff to invite all regulated utilities subject to Board jurisdiction to submit detailed proposals for infrastructure upgrades designed to protect the State's utility infrastructure from future "Major Storm Events."

At that time, South Jersey had within its system 179 miles of distribution main operating at low pressure in Atlantic City, Ventnor, Margate, Longport, Pleasantville, Somers Point, Ocean City, Wildwood, North Wildwood, Wildwood Crest, Cape May and West Cape May. Approximately 26,000 customers had services off this low pressure distribution system. Low pressure mains, services and regulator stations are susceptible to water intrusion during Major Storm Events, as water intrusion occurs when storm force flooding overcomes the internal operating pressure within a main. This forces water into susceptible points of entry, such as joints and non-welded fittings.

The Company found that a direct hit from a major storm, similar to that experienced by portions of this State during Superstorm Sandy, could render South Jersey's low pressure system inoperable and interrupt service to thousands of customers. In the event of flooding of South Jersey's low pressure mains, and a system shutdown, the system would need to be nitrogen purged and pressure tested prior to reintroducing gas. Old bare steel and cast iron mains comprising a low pressure system would not be able to withstand such testing. As a result, if the low pressure system was shut off, it could not be placed back into service and would need to be replaced in its entirety. The net result would include extremely long periods of time, throughout a cold winter, with customer outages causing a catastrophic effect on peoples' lives, and the economy of the State of New Jersey.

With this in mind, South Jersey proposed to replace these low pressure mains and services with high pressure mains and associated services through the SHARP. The Board approved South Jersey's SHARP in August 2014 with a three year program capital investment budget of $103.5 million.

Q. Please provide a summary of the SHARP investments made during the program term.

A. South Jersey commenced SHARP investments in Atlantic City, which had the highest inventory of low pressure mains and services and the most customers served by low pressure. The Company successfully completed the replacement of all low pressure in Atlantic City in September 2015, replacing approximately 36 miles of low pressure main and 5,000 services within the city and eliminating 11 district regulator stations. From there, South Jersey has completed the replacement of low pressure distribution mains and services in neighboring municipalities of Ventnor, Margate and Longport, and is currently engaged in SHARP replacement work in the municipalities of Cape May, Wildwood, North Wildwood, Sea Isle and Ocean City.

Through implementation of the SHARP, South Jersey has dramatically improved system reliability in coastal areas that are susceptible to flooding. South Jersey has experienced numerous coastal flooding events since the commencement of the SHARP and, due to the significant operational benefits that have been achieved through the SHARP, has not experienced any significant customer outages.

As of November 30, 2016, capital expenditures incurred under the SHARP total $89 million, with 81.9 miles of low pressure mains and 9,348 associated services having been replaced. The Company anticipates that by June 2017, when the program concludes, it will have invested approximately $103.5 (excluding AFUDC) in SHARP projects and will have replaced 90 miles of low pressure main and 10,525 associated services.

Projected SHARP expenditures to be incurred through the conclusion of the SHARP on June 30, 2017 are reflected in Schedule PJZ-1. The Company's treatment of the revenue requirements associated with SHARP investments made through June 30, 2017 is discussed in Mr. Barcia's Direct Testimony (Exhibit P-3).

VII. <u>MANAGEMENT AUDIT METER READING ANALYSIS</u>

Q. In conformance with the Board's Order in the Company's most recent Management Audit, BPU Docket No. GA11050310, can you please explain how SJG continues to benefit in the form of net savings from utilizing Millennium Account Services to read its meters.

A. In BPU Docket No. GA11050310, the Company agreed to file testimony and cost-benefit data in its next rate proceeding supporting the assertion that, under the pricing and terms of its current Services Agreement with Millennium Account Services ("MAS"), the Company continues to benefit in the form of a net savings from paying MAS to read its meters.

Pursuant to the Board's Order, I've incorporated herein as Schedule PJZ-3, data in support of my cost-benefit study. For purposes of demonstrating the benefits derived from utilizing MAS, I conducted a cost-benefit study using projected data for the year 2017. The study revealed that customers benefit from a cost-savings where the Company utilizes MAS rather than performing its own meter reads.

As shown on PJZ-3, the 2017 projection analysis is based on an assumed number of meter readings (4,758,000) and meters (396,500). The contractual MAS cost is $0.565 per meter reading, while the projected cost if SJG internally performed the meter reading is $0.854. The annual projected total expense for meter reading in 2017 would be $2,688,270 using MAS and $4,064,850 assuming SJG internally performed the meter readings for the year. In terms of 2017 projected data, the aggregate savings by using MAS for SJG's meter reading is $1,375,062.

Based on the foregoing data, use of MAS for meter reading services ensures existing and continued cost savings for SJG's customers.

VIII. SUMMARY

Q. Can you briefly summarize your testimony?

A. The issues discussed in my testimony address the significant levels of capital expenditures for both the test year and post-test year periods that are prudent and necessary to provide safe and reliable service to South Jersey's customers. South Jersey's extensive construction program has significantly increased rate base and increased the operation, safety and reliability of our distribution system. Additionally, South Jersey's AIRP and AIRP II investments have significantly reduced open leaks. As has been noted in the testimony of the other Company witnesses in this case, the Company must maintain its access to capital markets in order to continue to fund its ongoing growth. Construction expenditures are the primary source of capital requirements for the Company and as such, I request the Board's approval of the proposals set forth herein.

Q. Does this conclude your testimony?

A. Yes, it does.

SOUTH JERSEY GAS CAPITAL
ADJUSTMENT TO AUGUST 31, 2017 RATE BASE

	September Actual 2016	October Actual 2016	November Actual 2016	December Projected 2016	January Projected 2017	February Projected 2017	March Projected 2017	April Projected 2017	May Projected 2017	June Projected 2017	July Projected 2017	August Projected 2017	2016-2017 Test Year Total
New Business													
1.0 Mains	1,302,749	1,138,032	1,339,196	1,654,500	1,346,900	1,199,500	1,939,500	1,588,700	1,927,000	2,029,900	1,553,500	1,556,200	18,575,677
1.1 Services	1,628,219	2,092,528	2,092,994	2,209,600	1,046,300	1,173,200	1,875,100	1,088,000	1,388,500	1,565,700	1,179,800	1,243,000	18,582,942
1.2 Meters	645,088	522,671	428,744	582,000	702,800	703,900	724,800	682,200	733,200	716,500	712,400	940,100	8,094,404
1.3 Regulators	168,493	86,985	55,547	56,600	55,000	53,800	146,700	51,600	53,400	52,800	52,200	48,800	881,924
Total New Business	3,744,549	3,840,216	3,916,481	4,502,700	3,151,000	3,130,400	4,686,100	3,410,500	4,102,100	4,364,900	3,497,900	3,788,100	46,134,946
2.0 Improvement Mains	358,485	842,426	563,803	1,256,200	770,600	820,300	838,800	191,200	284,400	238,900	88,300	100,500	6,353,915
Replacements													
3.0 Replacement Mains	2,320,106	3,671,453	1,760,268	2,494,300	235,500	233,500	1,129,300	1,192,300	1,133,300	2,470,800	811,200	876,300	18,328,327
3.0 Replacement Mains - AIRP II	32,262	382,637	710,038	472,600	2,250,000	2,250,000	2,250,000	6,141,900	6,141,900	6,141,900	-	-	26,773,236
3.0 Replacement Mains - SHARP	1,746,789	2,379,148	3,839,374	842,400	816,700	816,700	666,700	333,300	333,300	333,300	-	-	12,107,710
3.1 Replacement Services	1,600,467	2,361,366	1,381,403	2,173,800	809,700	1,221,600	2,030,000	1,465,900	1,512,500	1,684,200	1,596,400	1,244,700	19,082,036
3.1 Replacement Services - AIRP II	-	2,860	149,112	414,900	1,423,600	1,423,600	1,423,600	4,012,100	4,012,100	4,012,100	-	-	16,873,972
3.1 Replacement Services - SHARP	1,539,306	1,300,680	2,120,799	627,700	429,000	429,000	330,000	165,000	165,000	165,000	-	-	7,271,485
3.2 Leak Clamping	662,800	568,585	435,914	857,500	450,000	560,800	699,600	546,200	723,500	746,600	593,700	499,600	7,344,800
3.3 Replacement Meters	7,926	122,182	80,542	57,000	5,200	5,000	4,500	5,000	5,300	5,200	5,100	4,500	307,450
3.4 Replacement Regulators	1,095,384	837,788	923,836	1,163,500	554,200	554,000	553,200	554,700	763,800	762,700	553,300	551,800	8,868,208
Total Replacements	9,005,040	11,626,699	11,401,285	9,103,700	6,973,900	7,494,200	9,086,900	14,416,400	14,790,700	16,321,800	3,559,700	3,176,900	116,957,224
4.0 Land & Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
5.0 Automotive Equipment	57,584	478,657	176,227	891,100	33,300	127,200	427,800	99,800	129,300	353,600	492,900	285,200	3,552,668
6.0 Production Equipment	1,220,555	201,916	1,792,553	77,600	45,900	45,900	45,900	45,900	45,900	45,900	45,900	45,900	3,659,824
7.0 Transmission Equipment	(55,264)	9,137	216,516	83,500	16,500	16,600	16,700	42,500	44,400	44,100	14,000	14,000	462,690
8.0 Distribution Equipment	122,498	278,969	76,931	1,007,700	316,500	666,500	589,900	309,000	310,500	300,300	43,800	43,800	4,066,399
9.0 Office Furniture & Equipment	(22,696)	25,308	-	2,000	16,700	16,700	16,700	43,700	16,700	16,700	31,700	16,700	180,212
10.0 Building Improvements	(49,622)	100,267	96,891	240,900	151,000	143,500	141,000	222,300	206,300	201,800	135,400	135,400	1,725,136
11.0 Cathodic Protection	164,815	113,972	167,736	192,600	104,700	111,700	120,600	118,300	144,800	151,600	133,100	125,500	1,649,424
12.0 Communications Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
13.0 Information Technology	405,034	465,301	267,897	356,500	1,181,600	1,213,000	1,262,600	1,317,800	1,114,400	1,209,700	900,200	848,100	10,542,131
TOTAL SJG Capex	**14,950,979**	**17,982,870**	**18,676,320**	**17,714,500**	**12,761,700**	**13,786,000**	**17,233,000**	**20,217,400**	**21,189,500**	**23,249,300**	**8,942,900**	**8,580,100**	**195,284,568**
Retirements:													
Blankets	1,340,142	1,681,142	1,877,134	1,236,766	1,430,298	1,430,298	1,430,298	1,430,298	1,430,298	1,430,298	1,430,298	1,486,898	17,634,168
Specials	42,208	3,390	2,995	-	-	-	-	-	-	45,000	-	-	93,593
Total Retirements	**1,382,350**	**1,684,532**	**1,880,129**	**1,236,766**	**1,430,298**	**1,430,298**	**1,430,298**	**1,430,298**	**1,430,298**	**1,475,298**	**1,430,298**	**1,486,898**	**17,727,761**
Total	**13,568,628**	**16,298,337**	**16,796,191**	**16,477,734**	**11,331,402**	**12,355,702**	**15,802,702**	**18,787,102**	**19,759,202**	**21,774,002**	**7,512,602**	**7,093,202**	**177,556,807**

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENT TO AUGUST 31, 2017 RATE BASE

PJZ-2
3&9

		September Budget 2017	October Budget 2017	November Budget 2017	December Budget 2017	January Budget 2018	February Budget 2018	Total Post Test Year Budget 2018
	New Business							
1.0	Mains	2,276,400	1,445,800	1,696,700	1,923,400	1,346,900	1,199,500	9,888,700
1.1	Services	1,658,100	1,195,900	1,293,100	2,091,300	1,046,300	1,173,200	8,457,900
1.2	Meters	766,500	724,400	662,300	696,600	702,800	703,900	4,256,500
1.3	Regulators	52,200	52,800	52,800	52,200	55,000	53,800	318,800
	Total New Business	4,753,200	3,418,900	3,704,900	4,763,500	3,151,000	3,130,400	22,921,900
2.0	Improvement Mains	195,700	27,900	27,000	28,100	770,600	820,300	1,869,600
	Replacements							
3.0	Replacement Mains	1,500,600	1,446,600	954,400	977,400	235,500	233,500	5,348,000
3.0	Replacement Mains - AIRP II	-	-	-	-	-	-	-
3.0	Replacement Mains - SHARP	-	-	-	-	-	-	-
3.1	Replacement Services	1,857,900	1,647,600	1,469,600	1,662,500	809,700	1,221,600	8,668,900
3.1	Replacement Services - AIRP II	-	-	-	-	-	-	-
3.1	Replacement Services - SHARP	-	-	-	-	-	-	-
3.2	Leak Clamping	750,800	621,900	479,100	739,500	450,000	560,800	3,602,100
3.3	Replacement Meters	5,100	5,200	5,200	5,100	5,200	5,000	30,800
3.4	Replacement Regulators	553,300	553,500	553,500	553,300	554,200	554,000	3,321,800
	Total Replacements	4,667,700	4,274,800	3,461,800	3,937,800	2,054,600	2,574,900	20,971,600
4.0	Land & Buildings	-	-	-	-	-	-	-
5.0	Automotive Equipment	250,400	342,700	72,100	22,000	33,300	127,200	847,700
6.0	Production Equipment	45,900	45,900	45,900	45,900	45,900	45,900	275,400
7.0	Transmission Equipment	14,000	14,000	14,000	14,000	16,500	16,600	89,100
8.0	Distribution Equipment	43,800	250,500	251,700	240,700	316,500	666,500	1,769,700
9.0	Office Furniture & Equipment	16,700	16,700	16,700	16,700	16,700	16,700	100,200
10.0	Building Improvements	135,400	108,100	82,800	67,900	151,000	143,500	688,700
11.0	Cathodic Protection	176,700	191,900	113,200	253,400	104,700	111,700	951,600
12.0	Communications Equipment	-	-	-	-	-	-	-
13.0	Information Technology	834,800	542,100	491,200	585,300	1,181,600	1,213,000	4,848,000
	TOTAL SJG Capex	**11,134,300**	**9,233,500**	**8,281,300**	**9,975,300**	**7,842,400**	**8,866,700**	**55,333,500**
	Retirements:							
	Blankets	1,430,298	1,811,498	1,693,898	1,430,298	1,430,298	1,430,298	9,226,588
	Specials	385,000	-	-	-	-	-	385,000
	Total Retirements	**1,815,298**	**1,811,498**	**1,693,898**	**1,430,298**	**1,430,298**	**1,430,298**	**9,611,588**

South Jersey Gas Company
Internal Meter Reading Cost Analysis

South Jersey Gas Internal Meter Reading -- 2017 Cost Projection	
General Information	
Meter Readers Needed	44
Meter Count	396,500
Meter Reads (12 Months)	4,758,000

Full Time Employees (FTE) Needed	
Meter Readers	44
Clerical	4
Supervision/Mgr	5
Total FTE Needed	**53**

Breakdown of Total Costs		
Total Payroll Related Costs -- 53 Total FTE	$	2,726,096
Total Annual Vehicle Cost (53 vehicles + fuel + maintenance)	$	347,566
Total Insurance Related Costs	$	204,674
Total Computer Related Equipment	$	777,703
Miscellaneous Costs -- Employee Uniform Expense	$	8,811
Total Cost: SJG (Internal) Meter Reading	**$**	**4,064,850**

Cost-Benefit Comparison: Internal (projected) Versus Contracted Rates		
Projected SJG cost per read (total cost $4,064,850 ÷ by 4,758,000 reads)	$	0.854
Millennium Account Services Current Per Read Contract Rate:	$	0.565
Rate Differential/Savings	**$**	**0.289**

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF	:	
SOUTH JERSEY GAS COMPANY FOR	:	
APPROVAL OF INCREASED BASE TARIFF	:	
RATES AND CHARGES FOR GAS SERVICE	:	DOCKET NO._________________
AND OTHER TARIFF REVISIONS	:	

TESTIMONY AND SCHEDULES

Volume 3 of 3

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Attorney for Petitioner
South Jersey Gas Company

January 2017

EXHIBIT P-7

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

In the Matter of the Petition of South Jersey Gas Company for Approval of Increased Base Tariff Rates and Charges for Gas Service and Other Tariff Revisions

Direct Testimony of

Kenneth Novak

Executive Director, Ernst & Young LLP

On Behalf of
South Jersey Gas Company

January, 2017

Direct Testimony of

Kenneth Novak

On Behalf of South Jersey Gas Company

Background, Approach and Summary of Changes from Prior Lead-lag Results

Q. Please state your name, current position and business address.

A. My name is Kenneth Novak. I am an Executive Director with the accounting firm of Ernst & Young LLP. My business address is 300 First Stamford Place, Stamford, Connecticut, 06902.

Q. Please describe your qualifications.

A. I am a core member on the power and utilities team of Ernst & Young's Assurance Services practice, as well as a member of the firm's Global Utility network. I have over 30 years of experience investigating, assessing and quantifying accounting, economic and regulatory compliance issues for the power and utility industries. I have managed numerous engagements involving regulatory filings, regulatory driven investigations and performance of regulatory mandated programs. I previously worked on the preparation of lead-lag study testimony filed in support of the South Jersey Gas Company ("the Company" or "SJG") requests for cash working capital in its 2003 (Docket No. GR03080683), 2010 (Docket No. GR10010035), and 2013 (Docket No. GR13111137) base rate cases. In addition, I presented lead-lag study testimony filed in support of other companies' requests for cash working capital in base rate cases in other state jurisdictions in 2009, 2011 and 2012.

My curriculum vitae, detailing more fully my academic and work experience, is attached at Schedule KEN-4.

Q. What is the purpose of your testimony in this case?

A. SJG engaged Ernst & Young to prepare the lead-lag study supporting its request for cash working capital, and to present the results of the study in this proceeding. The detailed study was prepared under my direction and supervision by Ernst & Young and supported by Company personnel. This testimony presents the methodology and approach used in the study and the results.

Q. Would you begin by presenting the approach to the lead-lag study supporting the cash working capital allowance requested in this proceeding?

A. The Company last presented a lead-lag study to the New Jersey Board of Public Utilities ("the Board") for the twelve-month period ending December 31, 2012. I will present the lead-lag study in the same general format and applying the same methodologies where applicable. Since that time there have been no substantive changes in the Company's operations and regulatory environment that would affect the approach to developing the Company's cash working capital requirements.

Q. What period is covered by the study?

A. The study covers the twelve-month period ended December 31, 2015.

Q. What procedures did you perform to ascertain that the results of this study were reasonable?

A. The initial step was to interview certain SJG management to identify what developments had occurred in their business since the last base rate case to determine whether adjustments were needed to the lead-lag study approach. I also performed a review of the Company's financial statements for the same purpose.

During the preparation of the lead-lag study I compared the detailed lead-lag calculation results to the results in SJG's previously filed studies to assess the reasons for and reasonableness of changes from the prior results.

Q. Did your review identify any significant changes in SJG's business that impacted the results of the study?

A. I identified no changes in SJG's operations or regulatory environment that substantively affected the results of the lead-lag study. Of note, the Transitional Energy Facility Assessment ("TEFA") tax is no longer collected, so it is not included in the study. To the extent that economic conditions, normal changes in scale of operations, or other factors exist that might affect some of the items in the study, they are discussed within the remainder of the testimony below.

Q. What is the lead-lag study designed to do?

A. The study is designed to measure the average amount of capital, over and above the investments in plant, and other separately identified rate base items, that must be provided to bridge the gap between the time expenditures are required to provide service and the time collections are received for the service. This quantity is referred to as cash working capital. Cash working capital is more comprehensive than simply financing the lag between

Company payments and receipts, as investor capital is required to finance the lag in the recovery of the entire cost of service including depreciation and cost of capital.

Q. What does the cash working capital requirement represent?

A. A requirement for cash working capital represents the amount necessary to provide the utility with an opportunity to earn a fair return on all capital invested in utility operations. Unless all capital supplied by investors has that opportunity, investors will not be fully compensated for the capital supplied and the objective of the cash working capital requirement will not be met. Consequently, the key test of the adequacy of the cash working capital requirement to be included in the rate base should be whether the inclusion of such an amount when added to net utility plant and other items included in rate base will produce a fair representation of the capital on which there should be an opportunity to earn a return.

Q. With that background would you review the methodology used in this lead-lag study for the determination of the cash working capital component of rate base?

A. To the extent applicable, this study tracks the methodology used in the previous rate filings of the Company and decisions of the Board for other New Jersey utilities.

Simply stated, the lead-lag study measures the difference in time frames between: (1) when service is rendered and the revenue for that service is received (revenue lag); and (2) when the costs of providing service are incurred (including costs of purchased gas, labor, materials, services, etc.) and the time those costs are paid for (expense lag). The difference between these lag periods is expressed in terms of days. The number of days calculated, multiplied by the average daily operating revenues, produces the cash working capital required by the Company. To that amount we must add operational cash requirements and add or deduct any other requirements for or sources of cash working capital, such as prepayments, reserves and items capitalized prior to payment, to the extent not otherwise accounted for in rate base.

Discussion of Results

Q. What is the cash working capital requirement that you have calculated?

A. We have calculated a net cash working capital requirement of $112,449,069. The overall revenue lag is 77.72 days and the expense lag is 27.85 days for a net lag of 49.87 days. This 49.87 days of required cash multiplied by the average daily cash requirement of cost of service of $1,463,808, results in a cash requirement of $73,002,186. Added to this is $39,446,883 of other operational cash requirements not included in rate base, totaling the total cash working capital requirement of $112,449,069.

Q. Would you identify and explain the Schedules you are sponsoring in this proceeding that support that calculation?

A. Schedule KEN-1 includes the summary of cash working capital requirements, including the average daily revenue multiplied by the net lag (i.e., the revenue lag less the expense lag) plus the adjustments for other requirements for, or sources of, cash working capital. Schedule KEN-2 includes the summary of the lag in collection of revenues. Schedule KEN-3 includes the summary of the lag in payment of expenses.

Q. Please explain the components of Schedule KEN-1.

A. The first section of Schedule KEN-1 reflects the cash working capital required by the excess of the lag in receipt of revenues over the lag in payment of related expenses. The cash required due to this lag component, presented on line 5 of Schedule KEN-1, is $73,002,186. It is calculated by multiplying one day's average operating revenue during the 2015 study year, times the net difference in the revenue and expense lags of 49.87 days. The individual revenue and expense lags are presented on Schedule KEN-2 and Schedule KEN-3, respectively.

The second section of Schedule KEN-1 shows the other requirements for and sources of cash working capital not otherwise accounted for in rate base. The net adjustment for these items is an additional cash requirement of $39,446,883, totaling a cash requirement of $112,449,069.

Q. Please explain Schedule KEN-2.

A. Schedule KEN-2 calculates the weighted average lag in receipt of revenues of 77.72 days. Total gas revenues of $534,289,935 match the consolidated Company revenues from SJG's income statement.

Q. Please explain the retail and industrial sales revenue component.

A. The regulated Company revenues are comprised of a number of types of sales segregated because of differing delays in the time from when service is rendered until collections are received. The largest revenue category is retail and industrial sales, which includes all gas sales, both firm and interruptible, and transportation revenues. Retail and industrial sales are considered in the aggregate because they are all handled in a similar manner. The average delay in the collection of retail and industrial revenues for the Company was calculated to be 82.55 days. The total revenue lag was calculated by analyzing the time lag for each of the components of the total revenue lag.

Q. Please describe the three components that comprise the revenue lag for retail and industrial sales.

A. The first component of the total revenue lag for retail and industrial sales is the service period lag. The Company reads the meters for all of its retail and industrial accounts once a month on a cycle basis; therefore, the average time between meter reading dates was 30.42 days. This was calculated by taking 365 days in a year and dividing by the 12 monthly meter reads. Dividing this resulting period by two produces the average period from the time service is rendered until the meter is read (15.21 days).

The second component of the total revenue lag is the time from the meter reading date to when the customer is billed. For most retail and industrial customers, the bill is sent the next business day after the meter is read. Given that the Company reads meters 20 days of each month and the average month is 30.42 days, the average time lag after the calendar adjustment is 1.52 days (30.42 days in an average per month divided by 20 meter reading days). For large accounts (primarily industrial customers), known as "LABS" (Large Account Billing System) the timing is slightly different and is based on the actual LABS bill by month. The weighted average of the lags for the retail and industrial customers and the LABS customers results in an overall meter reading lag of 1.77 days.

The third component of the total revenue lag is the period from the billing date to the time the customer pays its bill (i.e., to the date that the cash payments are credited on the accounts receivable records). This component of the revenue lag is measured by dividing average daily accounts receivable by average daily sales. Accounts receivable on the Company's books include both the amounts due from the Company's customers and the amounts due to the purchase of accounts receivable from residential gas providers. This latter amount distorts the calculation of the revenue lag from the Company's customers, and so the amounts due to the purchases of accounts receivable from residential gas providers is removed from the analysis. Since the amounts in accounts receivable are not separately identifiable in the financial records used for this analysis, the accounts payable to residential gas service providers is used as a proxy. Removing the accounts receivable due to purchases of accounts receivable from residential gas providers reduces the Company's revenue lag, lowering its cash working capital requirements.

Based on the review of retail and industrial sales accounts receivable balances and sales, there was an average of approximately 65.58 days of revenue included in the average daily accounts receivable balances for these accounts. This represents the average number of days from billing to collection. Adding these three time components together (from service delivery to metering, from metering to billing, and from billing to collection) produced a total of 82.55 days lag in the collection of revenues for services rendered to retail and industrial customers.

Q. Please explain the revenue lag for utility turn-on revenues.

A. Due to software system limitations, turn-on accounts receivable are not separately reported from Retail & Industrial Sales Revenue. Turn-on revenue is now incorporated into both retail and industrial revenue and accounts receivable line items.

Q. What is the revenue lag for off-system sales and how was it calculated?

A. The second line of Schedule KEN-2 presents the average revenue lag in the collection of off-system sales, which was calculated to be 42.06 days. This lag was determined by analyzing all bills with production during the twelve months ended December 31, 2015.

Q. What is the revenue lag for capacity release transactions and how was it calculated?

A. The revenue lag for capacity release was determined by analyzing all capacity release transactions during the twelve months ended December 31, 2015. The lag measures the time from service delivery, which is measured as the midpoint of the month of capacity release (all capacity release was for the entire month) to the time that a credit is provided on the invoice from the interstate pipeline. The lag was calculated to be 27.12 days.

Q. Please explain Schedule KEN-3.

A. Schedule KEN-3 sets forth the calculated payment lag periods by major categories of operating expenses. The three major categories of operating expense are: i) purchased gas; ii) other operating and maintenance expenses; and iii) depreciation, taxes and return. Other operating and maintenance expenses are further subdivided into 19 expense items. The various types of expense have different payment lags.

Q. Please explain the expense lag for purchased gas.

A. The cost of purchased gas is by far the largest operating expense category, accounting for approximately 46% of total expenses. In calculating the lag for payment of this item, we looked at flowing gas purchases and net withdrawals of gas from inventory, as well as off-system supply capacity release and the effect of financial hedges of gas purchases.

For flowing gas, we looked at each supplier's production months and payment dates for both natural gas purchases and LNG purchases. The lag periods were weighted by the dollar amounts of the invoices and produced an average lag in the payment of natural gas purchases of 36.90 days, and 39.19 days for the payment of LNG purchases.

For net inventory withdrawals we assumed zero lag days as the gas was paid for before it was withdrawn, when it was purchased and injected into inventory. Since the gas in inventory is included in rate base, there is no separate adjustment to the cash working capital requirement. When the gas is withdrawn from inventory, it is removed from rate base and expensed.

Q. What other substantive events affected the gas supply expense lag?

A. We also looked at the cash impact of capacity release. As noted in the revenue discussion, capacity release is credited to the pipeline invoice. Because the pipeline is billing the gas supplier receiving the capacity release directly, and crediting SJG on the Company's invoice from the pipeline, the expense lag equals and offsets the revenue lag.

We also looked at the cash impact of financial hedges of gas purchases. Settlement of the financial hedges resulted in either an additional cost or a gain.

Further, the timing of the settlement of the financial hedges also affected the overall purchase gas expense lag days. For the first three months of the year, hedging was done by South Jersey Energy Group, for which the NYMEX contract settles on the third business day prior to the end of the month preceding the delivery month. If SJG owes money, the Company receives the invoice within about 3 days of the settlement date, and is required to pay the invoice within 3 days of receipt. If SJG gains on the hedge and is owed money, the Company receives payment on approximately the 25th of the delivery month based on the NYMEX physical billing cycle.

During 2015, the Company began using JP Morgan for hedge management. This included daily settlement upon the market close. Numerous hedges are entered into throughout the month and are settled throughout the month. The initial outlay of cash for the hedge itself plus the market movement is combined into one amount each day. As payment settles in or out of the account on a daily basis, the lag for the JP Morgan hedges was calculated to be 1.0 days.

The net effect of the hedging costs and gains was to modestly decrease the overall purchased gas expense lag time.

Finally, there is a significant deferred gas expense component that was not lagged as part of the study. The deferred gas expense account is for gas supply expense associated with unbilled revenue. When the polar vortex hit during the 2013/2014 winter season, SJG incurred natural gas costs in excess of recoveries from ratepayers in the amount of approximately $50 million—an anomaly with magnitude. That excess cost was deferred via the normal over/under recovery of deferred gas cost accounting. The deferred balance was approved for recovery over two years at approximately $25 million per year by increasing BGSS rates charged to customers. When the following winter hit and throughput increased, SJG was recovering more than it was paying for natural gas costs (this was by design since the rate was set to recover $25 million per year of the $50 million shortfall previously deferred). Due to the atypical nature of the vortex and the subsequent recovery effect it had up through 2015, this account is not calculated above the line with the other item balances that are more representative of 2015-specific expenses. This exclusion increases the overall purchased gas expense lag.

The overall lag period calculated for payment of purchased gas was 33.14 days.

Q. Please explain the expense lag for other operating expenses.

A. The other operating expenses category accounts for approximately 23% of total expenses. This category is subdivided into 19 expense items for lead-lag analysis. Individual analyses were prepared for these expense items which comprise the major components of other operating and maintenance expenses.

Q. Please explain the expense lags for the expense items that comprise the other operating expense category. Start with the expense lags for pensions and employee benefits. How were these expense lags calculated?

A. For pensions and employee benefits expenses we determined the midpoint of the service period and calculated the lag (or lead) until the payment was actually made. Most of the payment dates are tied to payment schedules with providers and actual payment dates. For pensions, because payment was made in advance of when the pension expense was incurred, there is an expense lead or a negative expense lag of (31.41) days. Note that the Supplemental Employee Retirement Plan (“SERP”) is excluded from the lead lag calculation because expenses associated with the SERP have not been recovered in recent rate cases. If it is recoverable in this case, SJG intends to include this amount in the calculation.

The employee benefit lag was 29.80 days.

Q. Please explain the expense lag for payroll and related withholding charges.

A. The expense lag for payroll and related withholding charges is calculated by looking at the Company’s payroll periods, determining the midpoints of the payroll periods and identifying the payment dates. The lag is the weighted average time from the midpoint of the payroll period to the payment date. The payroll and associated withholding lag was 14.22 days. We note also that the Company capitalizes some of its payroll - the portion related to capital activities. This portion of payroll is considered elsewhere in the rate base. Payroll included in this analysis is related only to that which is expensed to operations and maintenance.

Q. What is the other compensation component of the expense lag and how was the lag calculated?

A. An additional component of compensation in this review period was performance compensation, including cash awards and restricted stock. Cash awards were earned during the 2015 calendar year and paid on March 3rd of the following year. The lag is calculated as the time from the service period midpoint (365/2) plus the remaining days to payment as of December 31, 2015. The restricted stock grants are earned over three years and are paid out on March 1st following the third calendar year of the initial grant. Three grants were earned during 2015; the 2013, 2014 and 2015 grants. The lag for the year is calculated as the time from the service period midpoint (365/2) plus the remaining days to payment as of December 31, 2015. The overall expense lag for other compensation was 338.84 days.

Q. Please explain the expense lag for the affiliate and third party provided services.

A. Expenses for affiliate and third party provided meter reading services represent significant expenses. The expenses are incurred monthly with the expense lag being the number of days from the midpoint of the provision of service during the month to the payment date. The lag for affiliate provided services expense was 36.17 days and the lag for meter reading services was 34.94 days.

Q. Please explain the expense lags for prepaid insurance and materials and supplies issues.

A. Charges to expense from insurance prepayments and materials and supplies ("M&S") inventories were assigned a zero lag. This is because the payment for these items is made in advance of the charge to expense. Prepayments are paid when entered into a prepayment account, but are not expensed until later. Payments for M&S are made when the items are purchased and put into M&S inventories. They are not expensed until they are distributed from M&S inventories. Because these prepayments and inventory balances required the earlier expenditure of cash, they are added as separate components of total working capital. (Prepayments are included in Schedule KEN-1 and M&S inventories in Schedule KEN-3.) In order for investors to be compensated for their investment, the lead-lag study must include the time lag between when the charges are expensed and when they are recovered in revenues from customers. The effect of applying a zero day expense lag is that the net lag for these expenses is equal to the revenue lag.

Q. Please explain the expense lag for uncollectible items.

A. Included in the non-gas components of operation and maintenance expenses are charges for uncollectible accounts. The lag determined for these charges was 287.70 days. The extended lag assigned to these charges was required because provisions for this cost are made a number of months prior to the actual write-off of uncollectible accounts.

Q. Please explain the zero expense lag on amortization (including amortization of remediation costs)?

A. We have assigned a zero lag to amortization expense on the same theory as that for prepayments. These costs were previously incurred and the lead-lag analysis needs to consider the time lag between when these previously incurred costs are expensed and removed from rate base, and when they are recovered from customers in revenues.

While the expense charges for uncollectible accounts, materials and supplies, prepayments and remediation costs technically represent “noncash” charges which do not require or provide working capital at the time the charge is made to expense, the lead-lag study must include the time lag between when charges are made to expense and when they are recovered (or used to increase or decrease another rate base component).

If taken literally, virtually all charges to expense made by a company using accrual accounting represent non-cash charges. The purpose of the lead-lag study is to recognize the effects of these items on total working capital from the time charges are made to expense as compared to the time they are recovered from customers in revenue (or used to increase or decrease another rate base component). This must be done in order for investors to be compensated for their investment. (See also the discussion of depreciation for a further explanation of the appropriate treatment of so-called “noncash” charges.)

Q. Are work paper analyses available for all of the remaining identified operation and maintenance expense line items?

A. Yes. Separate work paper analyses were prepared for all of the identified elements of operation and maintenance expense listed separately in Schedule KEN-3.

Q. Turning to the third major expense category – depreciation, taxes and return - please explain how the lag has been assigned to depreciation on Schedule KEN-3.

A. A zero lag has been assigned to depreciation because it is deducted from rate base when the expense is recorded.

Q. Are you familiar with the position that depreciation is a noncash charge and therefore cannot produce a need for cash working capital?

A. Yes. The rationale is based on the assumption that there is no cash outlay associated with depreciation expense. However, there was in fact a cash outlay when the plant was constructed. The investors are not made whole until customers are billed for and pay the depreciation costs. As stated in the highly regarded treatise of Robert L. Hahne, “investors are funding the provision of utility service, and such funds must be recognized in rate base.”[1] Moreover, Mr. Hahne explains that:

> The cumulative amount of depreciation expense (i.e., the reserve for depreciation) is a measure of the total consumption of funds to date. As the expenses are recorded, equal revenues are *recoverable* from ratepayers as reimbursement to investors and the accumulated provisions are deducted from rate base. The base rate deduction presumes that *recovery* of the recorded depreciation reserves has occurred… The *recovery* assumption, however, is not correct. When the depreciation expense is recorded, the recovery is in the form of an increase in the accounts receivable from customers. The expense is recorded in one period. The actual recovery occurs later… In the interim, the investor has not realized the recovery of capital that is imputed by the deduction of recorded depreciation expense. The funds due and payable to investors are being held by the ratepayers, and the ratepayers should reimburse the investors for the time value of unpaid amounts due.[2]

Q. Please explain the lag for PUA and other non-income taxes.

A. The lag of 394.50 days for PUA taxes is a result of the timing of the assessments relative to the service year. The PUA assessment is due on July 31st of the following year, yielding a positive lag. The days lag for non-

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[1] Robert L. Hahne and Gregory E. Aliff, *Accounting for Public Utilities*, §5-20.
[2] *Id.*

income taxes increased substantially from the prior study due to the fact that the TEFA tax was no longer collected or calculated in 2015. The timing of other taxes is similarly based on the timing from the midpoint of the service period, which is the time when the expense is incurred to the date of the payment.

Q. Please explain the lags on current and deferred income taxes.

A. The lag for current Federal and New Jersey corporation business taxes result from the statutory payment dates. Like the rationale set forth above regarding depreciation expense, the lag for deferred income taxes is zero because it is deducted from rate base when the expense is recorded. Including deferred taxes with a zero lag is necessary to provide the Company with an opportunity to earn a fair return on all capital invested in utility operations.

Historically, the Board ruled against inclusion of deferred Federal income taxes in the lead-lag study on the stated basis that no investor capital is required. However, investor capital was spent on plant assets, and invested capital is used through depreciation that reduces plant assets irrespective of book and tax depreciation timing differences that give rise to deferred taxes. The amount of deferred Federal income taxes deducted from rate base is immediate when the expense is recorded and reduces invested capital. Similar to depreciation expense, the cost is not recovered until customers pay their bills. Investor capital must be used during that lag period. The immediate deduction from rate base overstates the timing of when the cost-free funds are available. Thus, including deferred taxes with a zero lag is necessary to provide the Company with the opportunity to earn a fair return on all capital invested in utility operations.

Q. What lag has been assigned to net operating income?

A. Net operating income is the return on invested capital, just as depreciation expense is a return of invested capital. Similar to depreciation expense, a zero lag was assigned to net operating income in recognition of the fact that the return is earned when the service is provided.

Q. What is the average overall lag in the payment of cost of service?

A. As shown on Schedule KEN-3, each of the lags was weighted to determine an overall average lag in the payment of cost of service of 27.85 days. That lag is used in Schedule KEN-1 and netted against the revenue lag to calculate the cash working capital requirement from operations.

Q. Please review the remaining adjustment components of other cash working capital requirements on Schedule KEN-1. What is the adjustment for cash balances and working funds?

A. These are the additional sources and requirements of other cash working capital not reflected elsewhere in rate base. The amount for cash balances represents the average daily balances included on the Company's books. The measurement of leads and lags in the payment of operating expenses assumed a zero cash balance. A company the size of SJG cannot operate without some cash balances and working funds. These cash balances and working funds are not reflected elsewhere in rate base. If they are not recognized in this study, investors will not get a return on the investment.

Q. What is the adjustment for prepayments?

A. Prepayments are the amounts paid for rents, certain taxes, insurance, etc. in advance of the time they are recorded as expenses. The average of the general prepayments balance on Schedule KEN-1 of $3,792,143 is the average amount of cash required for expenses that have been disbursed before the expenses are recorded as incurred. It reflects the fact that there is a time period from when disbursements are made until they are charged to expense, and is thus an addition to cash working capital requirements. As discussed earlier, when such amounts are charged to expense, thereby reducing the prepayment balance, we use the expense assuming a zero lag in calculating the overall expense lag on Schedule KEN-3.

The prepaid Energy Sales and Use Tax balance of $11,397,847 is another adjustment item. The Company collects the tax from customers in their bills and pays the tax to the State. The tax is not a Company expense because the Company is merely a conduit for the payments from customers to the State. However, the Company prepays the tax, so it has an average prepayment balance on its books. This average amount reflects a use of cash that the Company is required to provide. Included in the prepayment calculation is an additional requirement for cash for the time lag between when the customer expense is recorded and when the Company receives payment from the customer.

The USF/Lifeline payment operates in a similar manner to the Energy Sales and Use Tax and had a balance of $769,548.

Q. What is the adjustment for prepaid pension and post-retirement healthcare reserve?

A. The prepaid pension reflects the pension prepaid balance account. The prepayment amount is $43,704,463. The post-retirement healthcare similarly reflects the prepaid balance in the account of $682,732. With the implementation of ASC 715 accrued pension and post-retirement healthcare obligations were added to the liabilities on the Company financial statements, but this was offset by the creation of an offsetting asset. The changes are all to the balance sheet, with no impact on the income statement and no impact on the timing of cash flows.

The SERP prepaid pension reserve amount and the SERP FAS 158 Minimum Liability Adjustment amounts were excluded from the study since the SERP expense has not been recovered in recent rate cases. If it is recovered in this case, the Company intends to include this amount in the calculation.

Q. What are the adjustments for accruals related to plant and other reserves?

A. Accrued invoices and accrued payroll related to plant reflect the average level of materials and labor capitalized prior to the date it is actually paid. While this is not a source of cash working capital, this lag is recognized to offset the return capitalized on these amounts. The result is a reduction to cash working capital requirements of ($17,249,836) and ($172,692) for accrued invoices and accrued payroll respectively.

The amount of the accrual includes the effects of the Company’s Storm Hardening and Reliability Program (“SHARP”), which was not in existence at the time of the last study. Further, there was an increase in spending related to the Company's Accelerated Infrastructure Replacement Program ("AIRP"), which was implemented in 2013.

The other reserves for vacation accruals and uninsured risk similarly measure the balance of amounts previously charged to ratepayers and not yet paid out.

Q. Did you make an adjustment to the cash working capital requirements for the changes in cash flows caused by the presence of the retail marketers and the related changes in the Company's cash flows?

A. Yes. As previously described, SJG now bills and collects cash that is remitted to the retail gas marketers. For residential gas service providers, SJG purchases the receivables from the marketer and performs the billing and collection. For these marketers, the receivables and payables to marketers offset and both are excluded from the lead lag study. For commercial and large volume gas service providers, SJG bills and collects cash that is subsequently remitted to the marketers. The cash flow impact is a result of the difference between the time when the Company collects the marketers' gas supply costs from the customers and when the Company pays the marketers. We calculated the thirteen-month average accounts payable balance in the marketer accounts payable account for these marketers. Overall the Company had a net balance of funds received from customers but not yet paid to marketers. This is a source of cash and a reduction to the cash working capital requirement of ($3,277,724).

Q. Why was the adjustment made as an adjustment to cash working capital as opposed to part of the revenue lag analysis?

A. The calculated amounts were added as an adjustment to cash working capital because the cash related to these transactions is not part of the Company's revenues. As a result, the cash working capital impact should be calculated based on their separate independent cash flows.

Q. Does this conclude your pre-filed testimony?

A. Yes, it does at this time. I reserve the opportunity to revise my testimony if new information becomes available.

Schedule KEN-1
South Jersey Gas Company
Summary of Lead-Lag Study
12 Months Ended 12/31/15

				Supporting Document
1	Average Daily Revenue		$ 1,463,808	*From Line 19*
2	Revenue Lag Days	77.72		*From Schedule KEN-2*
3	Expense Lag Days	27.85		*From Schedule KEN-3*
4	Net Lag		49.87	
5	Average Daily Revenue x Net Lag		$ 73,002,186	
6	Cash Balance		1,536,500	*Exhibit A*
7	Working Funds		336,750	*Exhibit B*
8	General Prepayments		3,792,143	*Exhibit C*
9	Prepaid Energy Sales and Use Tax		11,397,847	*Exhibit D*
10	USF/Lifeline Reserve		769,548	*Exhibit D-1*
11	Prepaid Pension		43,704,463	*Exhibit E*
12	Prepaid Postretirement Healthcare		682,732	*Exhibit E*
13	Accrued Invoices related to Plant		(17,249,836)	*Exhibit F*
14	Accrued Payroll related to Plant		(172,692)	*Exhibit G*
15	Vacation Accrual Reserve		(1,384,754)	*Exhibit H*
16	Uninsured Risk Reserve		(688,093)	*Exhibit H-1*
17	Marketer Payment Reserve		(3,277,724)	*Exhibit I*
18	Net Amount		**$ 112,449,069**	
19	$534,289,935 / 365		$ 1,463,808	*Annual Utilities Revenue/365*

Schedule KEN-2

South Jersey Gas Company

Summary of Lag in Collection of Revenues

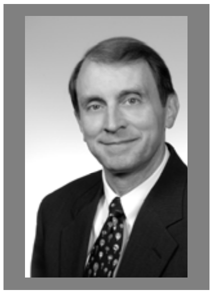
12 Months Ended 12/31/15

	Type of Sale	Amount	Lag Days	Dollar Days	*Supporting Document*
1	Retail & Industrial Sales (incl. turn-ons)	$473,695,391	82.55	$ 39,105,132,070	*Exhibit J-1*
2	Off System Sales	49,623,749	42.06	2,087,221,311	*Exhibit J-2*
3	Capacity Release	10,296,185	27.12	279,205,224	*Exhibit J-2*
4	Total Revenue Lagged	$533,615,326	77.72	$ 41,471,558,605	
5	BGSS, CIP & Deferred	(398)			*Exhibit J-3*
6	Other Revenues	675,007			*Exhibit J-3*
7	Total Utility Revenues	$534,289,935			

Schedule KEN-3
South Jersey Gas Company
Summary of Expense Lags
12 Months ended 12/31/15

	Description of Expense	Amount	Lag Days	Dollar Days	***Supporting Document***
1	Purchase Gas	$218,630,878	33.14	$7,245,934,236	*Exhibit K*
	Operating & Maintenance Expenses:				
2	Insurance	1,806,949	0.00	0	*Exhibit C*
3	Pensions	1,723,888	(31.41)	(54,151,966)	*Exhibit E*
4	Payroll	21,994,659	14.22	312,779,425	*Exhibit L-1 & L-2*
5	Other Compensation	891,817	338.84	302,182,923	*Exhibit M*
6	Motor Vehicle	2,197,980	13.46	29,583,445	*Exhibit N*
7	Uncollectible Account Expense	10,017,442	287.70	2,882,018,049	*Exhibit O*
8	Outside Services (Audit)	893,851	84.57	75,592,979	*Exhibit P*
9	Employee Benefits	3,731,813	29.80	111,198,232	*Exhibit Q*
10	FASB 106	731,457	29.11	21,292,713	*Exhibit R*
11	NJ Clean Energy Program	11,928,326	61.74	736,475,854	*Exhibit S*
12	Other Accounts Payable	34,018,303	36.57	1,244,049,328	*Exhibit T*
13	Amortization	4,271,709	0.00	0	*Exhibit U*
14	Remediation Expense (RAC)	9,565,768	0.00	0	*Exhibit U*
15	Affiliate Provided Services	15,215,378	36.17	550,294,556	*Exhibit V*
16	Meter Reading Services	2,745,727	34.94	95,935,690	*Exhibit Z*
17	Materials & Supplies Issues	344,547	0.00	0	*Exhibit AB*
18	Membership Dues	409,507	13.45	5,506,811	*Exhibit AC*
19	Utility Location Markout Services	2,444,788	36.86	90,123,819	*Exhibit AD*
20	Bank Service Fees	1,498,253	43.29	64,859,372	*Exhibit AE*
21	Subtotal Operating & Maintenance	$126,432,162	51.16	$6,467,741,230	
22	Depreciation	40,635,065	0.00	0	*Exhibit AA*
23	TEFA & PUA Taxes	1,249,916	394.50	493,091,866	*Exhibit W*
24	Other Taxes	2,781,431	12.26	34,097,469	*Exhibit X*
25	Federal Income-Tax Current	(943,563)	37.00	(34,911,830)	*Exhibit Y*
26	Federal Income-Tax Deferred	30,933,042	0.00	0	*Exhibit Y*
27	CBT - Current	(22,524)	(47.25)	1,064,259	*Exhibit Y*
28	CBT - Deferred	7,061,422	0.00	0	*Exhibit Y*
29	Operating Income	83,429,650	0.00	0	*Exhibit AA*
30	Subtotal	$165,124,439	2.99	$493,341,763	
31	Total Revenues Lagged	$510,187,478	27.85	$14,207,017,230	
32	Post 1970 Invest. Tax Credit	(148,509)			*Exhibit AA*
33	Deferred Gas Expense	26,224,198			*Exhibit K*
34	Not Lagged Purchase Gas	434,600			*Exhibit K*
35	Other O&M Not Lagged	(4,233,093)			
36	Pensions -- Other -- SERP	1,825,259			*Exhibit E*
37	Total Utility Revenues	$534,289,934			

Schedule KEN-4



Kenneth Novak
Executive Director

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Education
Dartmouth College, AB

Stanford GSB, MBA

Northwestern University, Executive Program

Professional background

Ken Novak is an executive director on the power and utilities team of Ernst & Young's Assurance Services practice, and a core member of the firm's Global Utility network. He has over 30 years of experience investigating, assessing and quantifying accounting, economic and regulatory compliance issues for the power and utility industries. He has managed numerous engagements involving regulatory driven investigations, regulatory filings and compliance with regulatory requirements. In addition, he has directed engagements involving risk and compliance assessments, complex commercial and contractual disputes, forensic investigations for boards of directors, securities litigation, class action matters, merger and acquisition disputes, business interruption claims, damages quantification and other adversarial matters.

Ken has testified at state public service commission proceedings, municipal proceedings and civil proceedings. He has extensive experience in civil and regulatory dispute resolution support including litigation, arbitration, mediation and negotiation. He has also participated in formal settlement negotiations with public service commission staffs and rate payer advocates.

Regulatory Driven Investigations

- Directed a corporate compliance and controls assessment as part of a state public utility commission prudency review looking into allegations of waste, fraud and abuse. Over $200 million of charges in dispute. Provided testimony at the commission.
- Directed investigation of allegations related to gas purchasing practices, affiliate transactions and intercompany payments, derivative transactions and cost shifting among customers. Provided testimony at the state public utility commission, which was cited in the commission decision that ruled in favor of the Company's position.

EY

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- Directed investigation in response to regulatory inquiries regarding fixed asset records.
- Directed investigation of pricing behavior during period of supply shortage.
- Directed compliance investigation of gas cost revenue recognition and customer billing in response to public advocate allegations for state commission regulatory proceeding.
- Directed analysis of fuel cost recovery revenue recognition methodology including book and tax recording and timing issues for state commission regulatory proceeding.
- Directed an investigation of alleged manipulation of inventory and costs between a gas utility and certain customers for the purpose of manipulating an incentive pricing structure.
- Directed analysis of SFAS 71 issues involving creation and treatment of regulatory assets and liabilities.
- Directed investigation related to compliance of gas purchasing practices with state regulatory requirements. Provided testimony at the state public utility commission.
- Directed an assessment of franchise fee payments and obligations in a dispute between a major utility and a consortium of local governments.

Regulatory Filings

- Directed analysis of service company cost allocations to identify errors and recommend adjustments in support of rate case filing. Similarly directed FERC mandated study of labor cost allocations.
- Directed core base rate case analyses that cut across operating entity and shared services center activities, including multiple lead lag studies of cash working capital requirements. Provided testimony and participated in formal settlement talks with commission staff and intervenors. Currently providing cost of service testimony in ongoing rate case proceeding.
- Directed an assessment of storm costs to be filed in support of a utility's regulatory cost recovery submissions involving multiple storm events and multiple operating companies and regulatory jurisdictions. Performed similar analyses for public power authority in support of submissions for FEMA funding.
- Directed investigation of accuracy of reporting under fuel cost recovery clause.
- Directed assessment of accuracy of reporting under incentive performance clauses. Identified errors, recommended adjustments, recommended enhanced controls and identified process improvement opportunities.
- Directed compliance review of test year cost of service forecast for base rate case. Investigated all revenue and cost forecasts including planned tax treatments, allocations and charges among affiliates.
- Directed analyses to identify errors and recommend adjustments in calculating and reporting cost recovery deferral accounts under cost recovery clauses. Also led process improvement efforts.
- Directed benchmarking analysis of operations, maintenance, and administrative and general expenses to demonstrate reasonableness and prudency in support of utility rate case.
- Investigated historic cost accumulation and revenue requirement development; and developed more equitable wholesale cost allocation and rate design in a dispute among the municipality members of a municipal power agency. Testified before the power agency and the municipal governments.

Compliance with Regulatory Requirements

- Directed a comprehensive assessment of the regulatory compliance program for the merchant operations of a major power and utility company in response to an FERC mandate, and subsequently led the efforts to design and implement the improvement opportunities identified in the assessment. Assessment and subsequent efforts shared with FERC.
- Directed assessment of compliance with code of conduct requirements involving information sharing among affiliated entities in response to an FERC penalty and compliance order.
- Directed assessment of compliance with FERC reporting requirements in response to an FERC penalty and compliance order.

- Directed a comprehensive assessment of the energy regulatory compliance program (for both federal and state regulation) for one of the nation's largest cost of service rate regulated electric utilities, and subsequently directed the planning efforts to realize the identified improvement opportunities.
- Directed an assessment of compliance with a state required Code of Conduct.
- Directed an assessment of compliance with merger requirements for one of the nation's largest utilities.
- Directed a performance assessment of the integrated resource plan development and implementation for a Canadian power and utility company.
- Independent overseer for the open season process for a proposed gas pipeline, and filed report on process with FERC.

Commercial Disputes and Investigations

- Directed the quantification of claims in numerous disputes involving energy producers, energy marketing agents, electric utilities, petrochemical producers, natural gas pipelines, local distribution companies, wholesale customers, and the federal government. Disputes successfully resolved through litigation, arbitration, mediation, and negotiated settlement.
- Directed the quantification of claims in a dispute over the application of various escalator clauses, indices, and inflation/rate of return factors in a long term coal supply contract.
- Directed the quantification of claims in a dispute between the coal mine owner and utility plant operator, and the other utility plant owners, over the price of coal from the mine to the mine mouth utility plant.
- Developed analyses of claims of injury and damages resulting from the rejection of take or pay contracts by a major utility.
- Directed the analysis and quantification of multi-level claims among final customers (local distribution customers), wholesale customers (pipelines), the owner/operator of the gasification plant, and the federal government and government contracts.
- Directed analyses in a dispute between a utility and a major equipment vendor, including the regulatory treatment of the investment.
- Testified in deposition in a dispute among the joint owners of an electric generating station over the computation and allocation of profits. The matter was successfully resolved through a settlement agreement.
- Testified in deposition in a civil litigation over natural gas procurement costs.

Securities, Government and Merger and Acquisition

- Directed analyses of accounting treatment, controls, disclosure and development of projections for a utility in a class action litigation.
- Investigated affiliate transactions and charges for a utility in a securities litigation.
- As part of a post-acquisition purchase price adjustment dispute involving an earn-out agreement, directed analyses of impairment issues triggered by changes in market conditions and contracts for independent power projects.
- Investigated the recording of, accounting for, communication of, and possible mis-statement and restatement of financial results at the direction of the audit committee of the board of directors of a Fortune 500 electric and gas company.
- Directed analyses of alleged material adverse changes in the cancellation of two multibillion-dollar utility mergers, in one instance resulting in the only successful contested utility merger break up. The range of issues covered included regulatory rulemaking and orders, standard offer service contract obligations, trading activity and trading contract valuation, transmission operations and congestion, nuclear investments, non-energy investments, and equity market issues.

Regulatory Testimony Experience

Ken Novak PUC and FERC Testimony Experience during the Ten Year Period 2007-2016

Year	Matter	Reference	Subject
2015	Duquesne Light Before the Federal Energy Regulatory Commission	FERC Mandated Time Allocation Study	Allocation and capitalization/ expense of labor costs
2014	South Jersey Gas Company Before the New Jersey Bureau of Public Utilities	Base Rate Case	Cash working capital
2014	National Grid Before the New York State Public Service Commission	Cases 12-E-0201 and 12-G-0202	Service company cost allocation
2013	Consolidated Edison Before the New York State Public Service Commission	Technical Conference June 2013	Prudency review
2012	Progress Energy Before the North Carolina Utilities Commission	Docket E-2 Sub 1018	Cash working capital
2011	Duke Energy Before the North Carolina Utilities Commission	Docket E-7 Sub 989	Cash working capital
2009	Dominion Resources Before the State Corporation Commission of Virginia	Case No. PUE 2009-00019	Cash working capital
2007	Dominion Resources Before the Public Service Commission of West Virginia	Docket 06-1003-G-30C	Affiliate transactions
2007	Chesapeake Utilities Before the Delaware Public Service Commission	Docket 06-287F	Fuel procurement program

EXHIBIT P-8

STATE OF NEW JERSEY

BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF

SOUTH JERSEY GAS COMPANY

FOR APPROVAL OF INCREASED BASE TARIFF RATES AND CHARGES
FOR GAS SERVICE AND OTHER TARIFF REVISIONS

BPU Docket No.

OAL Docket No.

Direct Testimony

of

Paul R. Moul, Managing Consultant
P. Moul & Associates

Concerning

Cost of Equity and Fair Rate of Return

<u>South Jersey Gas Company</u>
Direct Testimony of Paul R. Moul
<u>Table of Contents</u>

<u>Page No.</u>

GLOSSARY OF ACRONYMS AND DEFINED TERMS	
ACRONYM	**DEFINED TERM**
AFUDC	Allowance for Funds Used During Construction
β	Beta
b	Represents the retention rate that consists of the fraction of earnings that are not paid out as dividends
b x r	Represents internal growth
BPU	Board of Public Utilities
CAPM	Capital Asset Pricing Model
CCR	Corporate Credit Rating
CE	Comparable Earnings
CIP	Conservation Incentive
CWIP	Construction Work in Progress
DCF	Discounted Cash Flow
FOMC	Federal Open Market Committee
g	Growth rate
GAAP	Generally accepted accounting principles
IGF	Internally Generated Funds
LDC	Local Distribution Companies
LT	Long Term
M&M	Modigliani & Miller
MTN	Medium terms notes
r	Represents the expected rate of return on common equity
RAC	Remediation Adjustment Clause
Rf	Risk-free rate of return
Rm	Market risk premium
RP	Risk Premium
s	Represents the new common shares expected to be issued by a firm
SBBI	Stocks, Bonds, Bills and Inflation
s x v	Represents external growth
S&P	Standard & Poor’s

GLOSSARY OF ACRONYMS AND DEFINED TERMS	
ACRONYM	**DEFINED TERM**
SJG	South Jersey Gas Company
SJI	South Jersey Industries
TAC	Temperature Adjustment Clause
v	Represents the value that accrues to existing shareholders from selling stock at a price different from book value

DIRECT TESTIMONY OF PAUL R. MOUL

INTRODUCTION AND SUMMARY OF RECOMMENDATIONS

Q. Please state your name, occupation and business address.

A. My name is Paul Ronald Moul. My business address is 251 Hopkins Road, Haddonfield, New Jersey 08033-3062. I am Managing Consultant at the firm P. Moul & Associates, an independent financial and regulatory consulting firm. My educational background, business experience and qualifications are provided in Appendix A, which follows my Direct Testimony.

Q. What is the purpose of your direct testimony?

A. My testimony presents evidence, analysis, and a recommendation concerning the appropriate rate of return that the New Jersey Board of Public Utilities ("BPU" or the "Board") should recognize in the determination of the revenues that South Jersey Gas Company ("SJG" or the "Company") should realize as a result of this proceeding. My analysis and recommendation are supported by the detailed financial data set forth in Schedules PRM-1 through PRM-15, attached hereto and incorporated by reference. My testimony is based upon my firsthand knowledge of SJG consisting of information obtained from meetings with the Company's management and Company-specific data, which is widely disseminated within the financial community.

Q. Based upon your analysis, what is your conclusion concerning the appropriate rate of return for the Company in this case?

A. My conclusion is that the Company's cost of common equity is 11.00% and that the Board should adopt this cost rate as part of a reasonable rate of return. With this testimony, I have presented on Schedule PRM-1 the weighted average cost of capital for the test year ended August 1, 2017, which is 7.66%. The capital structure ratios and cost rates shown on Schedule 1 are based upon three (3) months actual and nine (9) months estimated data. As the case progresses, the Company will update the estimates with actual data. The resulting overall cost of capital, which is the product of weighting the individual capital costs by the proportion of each respective type of capital, should, if adopted by the Board, establish a compensatory level of return for the use of capital and provide the Company with the ability to attract capital on reasonable terms.

Q. What background information have you considered in reaching a conclusion concerning the Company's cost of capital?

A. The Company provides natural gas distribution service to approximately 375,000 customers throughout southern New Jersey. For the year 2015, the Company's gas throughput (combined sales and transportation) was represented by approximately 44% to residential customers, 21% to commercial customers, 23% to industrial customers, and 12% to cogeneration/electric generation customers. It is noteworthy that approximately 35% of the Company's throughput is represented by industrial and cogeneration/electric generation sales. However, these customers represent less than 0.1% (i.e., 429 in number) of the Company's entire customer base. This means that the energy needs of a few customers can have a significant impact on the Company's operations. In addition, as I will explain below, the Company serves the Atlantic City region, which is under significant financial stress caused by the recent closures of five casinos.

The Company obtains its natural gas supply through connections with two interstate pipelines. The Company also has arrangements with one additional upstream pipeline. The Company supplements flowing natural gas that it obtains from various producers and marketers with peak shaving supplies of LNG and withdrawals from underground storage.

SJG is a wholly-owned subsidiary of South Jersey Industries, Inc. ("SJI" or the "Parent Company"). While SJI is engaged in other energy businesses, SJG represents approximately 56% of SJI's revenues, 76% of SJI's operating income, and 66% of SJI's identifiable assets. The common stock of SJI is traded on the New York Stock Exchange. The shares of SJI are considered to be within the mid-cap group according to The Value Line Investment Survey ("Value Line").

Q. How have you determined the cost of common equity in this case?

A. The cost of common equity is established using capital market and financial data relied upon by investors to assess the relative risk, and hence the cost of equity, for a gas distribution utility, such as the Company. In this regard, I have considered four (4) well-recognized measures of the cost of equity: the Discounted Cash Flow ("DCF") model, the Risk Premium ("RP") analysis, the Capital Asset Pricing Model ("CAPM"), the Comparable Earnings ("CE") approach.

Q. In your opinion, what factors should the Board consider when determining the Company's cost of capital in this proceeding?

A. The Board's rate of return allowance must be set to cover the Company's interest and dividend payments, provide a reasonable level of earnings retention, produce an adequate level of internally generated funds to meet capital requirements, be commensurate with the risk to which the Company's capital is exposed, assure confidence in the financial integrity of the Company, support reasonable credit quality, and allow the Company to raise capital on reasonable terms. The return that I propose fulfills these established standards of a fair rate of return set forth by the landmark Bluefield and Hope cases.[1]

That is to say, my proposed rate of return is commensurate with returns available on investments having corresponding risks.

Q. How have you measured the cost of equity in this case?

A. The models that I used to measure the cost of common equity for the Company were applied with market and financial data developed from a group of eight (8) gas companies. The companies are identified on page 2 of Schedule PRM-3. I will refer to these companies as the "Gas Group" throughout my testimony.

Q. Please explain the selection process used to assemble the Gas Group?

A. I began with all of the gas utilities contained in the basic service of Value Line, which consists of ten companies. Value Line is an investment advisory service that is a widely-used source in public utility rate cases. Through the application of my screening process, I eliminated two companies, which were NiSource due to its electric operations and UGI Corporation because of its highly-diversified businesses. The remaining eight companies are included in my Gas Group.

Q. How have you performed your cost of equity analysis with the market data for the Gas Group?

A. I have applied the models/methods for estimating the cost of equity using the

[1] Bluefield Water Works & Improvement Co. v. P.S.C. of West Virginia, 262 U.S. 679 (1923) and F.P.C. v. Hope Natural Gas Co., 320 U.S. 591 (1944).

average data for the Gas Group. I have not measured separately the cost of equity for the individual companies within the Gas Group, because the determination of the cost of equity for an individual company can be problematic. The use of group average data will reduce the effect of potentially anomalous results for an individual company if a company-by-company approach were utilized. This is to say, by employing group average data, rather than individual company analysis; I have helped to minimize the effect of extraneous influences on the market data for an individual company.

Q. Please summarize your cost of equity analysis.

A. My cost of equity determination was derived from the results of the methods/models identified above. In general, the use of more than one method provides a superior foundation to arrive at the cost of equity. At any point in time, any single method can provide an incomplete measure of the cost of equity. The specific application of these methods/models will be described later in my testimony. The following table sets forth the results that are summarized on page 2 of Schedule PRM-1 using each of these approaches.

	Excluding Flotation Costs	Including Flotation Costs [1]
DCF	10.03%	10.18%
RP	11.25%	11.40%
CAPM	11.02%	11.17%
CE	11.20%	11.20%

The average of all methods is 10.88%, excluding flotation costs, and 10.99%, including flotation costs. The median values are 11.11%, excluding flotation costs and 11.19% including flotation costs. We can see that each of the models, with the exception of DCF, provides equity returns of 11.00% and above. From these results, a reasonable return for the Company would be 11.00%. My recommended rate of return on common equity of 11.00% makes no provision for the prospect that the rate of return may not be achieved due to unforeseen events, such as unexpected spikes in the cost of labor and services and other expenses. To obtain new capital and retain existing capital, the rate of return on common equity for SJG must be high enough to recognize its unique risks, such as the economic situation in the Atlantic City region.

NATURAL GAS RISK FACTORS

Q. What factors currently affect the business risk of natural gas utilities?

A. Gas utilities face risks arising from competition, economic regulation, the business

[2] Flotation costs are defined as the out-of-pocket costs associated with the issuance of common stock. Those costs typically consist of the underwriters' discount and company issuance expenses.

cycle, and customer usage patterns. Today, they operate in a more complex environment with time frames for decision-making considerably shortened, especially with volatile energy prices. Their business profile is influenced by market-oriented pricing for the commodity distributed to customers and open access for the transportation of natural gas for customers.

Natural gas utilities have focused increased attention on safety and reliability issues and on conservation. In order to address these issues and to comply with new and pending pipeline safety regulations, natural gas companies are now allocating more of their resources to addressing aging infrastructure issues. The Company has been making aggressive expenditures under its AIRP and SHARP programs. Indeed, the capex for these two programs represent 32% of its future expenditures.

Q. How does the Company face competition in its natural gas business?

A. The natural gas business faces significant competition from alternative energy sources. The Company faces direct competition from electricity, fuel oil, and propane in its service territory. Propane and fuel oil have an advantage because they are not inhibited by regulatory constraints when conducting their marketing activities. In addition, declines in the price of fuel oil have negatively impacted the natural gas conversion market and limited the Company's ability to add incremental new customers. This situation is unlike that of SJG where specific financial thresholds must be satisfied for system expansions, and where promotional activities are constrained.

Q. Are there specific characteristics of the Company's service territory that

influence its risk profile?

A. Yes. The Company has specific risk characteristics related to the coastal areas of its service territory. Coastal related risk has prompted the Company to replace its low-pressure distribution network in the coastal towns with high pressure mains and services, which will be more resilient to severe coastal storms. The Company has responded in a proactive way through implementation of its Storm Hardening and Reliability Program ("SHARP") to increase reliability to deal with the vulnerability associated with low pressure distribution facilities that are more susceptible to flooding and failure.

Q. How does the Company's throughput to large volume customers affect its risk profile?

A. The Company's risk profile is influenced by natural gas delivered to industrial and transportation customers. Indeed, the Company's top ten customers had 11,442,331 DT of throughput that represents 55% of the total throughput to industrial and electric/cogeneration customers. Deliveries to these customers are usually thought to be of higher risk than sales to other customers. Success in this aspect of the Company's market is subject to the business cycle, the price of alternative energy sources, and pressures from the competitors noted above. Moreover, external factors can also influence the Company's throughput to these customers which face competitive pressure on their operations from facilities located outside the Company's service territory. A case in point is the glass manufacturing business that once was a thriving industry in southern New Jersey, but due to competition from foreign producers, it is no longer a major factor in this region. Also announced in 2016 is the closure of the General Mills Progresso plant in Vineland, New Jersey, an SJG customer.

In addition, the threat of bypass in the Company's western industrial corridor represents a significant risk. This situation is particularly acute in the industrial corridor along the Delaware River where major interstate pipelines have their facilities. With the availability of customer-owned transportation gas, risk will continue as large end users obtain the range of unbundled service offerings themselves, directly from the interstate pipelines. Bypass has already occurred for one of the Company's customers and several others have expressed an interest in bypass. This includes NuStar who has represented to the Company that it discussed with Transco the possibility of direct connection. NuStar currently represents 1,676,246 DT of throughput and annual revenues to the Company of $6.4 million.

Q. Are there additional risks now facing the Company?

A. Yes. A significant portion of the Company's service territory is influenced by the casino industry in Atlantic City. The once thriving casino industry has entered a period of significant decline due, in part, to the proliferation of new casinos that have opened in adjoining states. Along with the declining fortunes of the Atlantic City casinos, many of those operations have experienced bankruptcies and in some cases, multiple bankruptcies. Since the Company's last base rate proceeding, five casinos have closed in Atlantic City causing the loss of 10,500 jobs. There is a ripple effect of these job losses on the economy of the Company's service territory in the areas around Atlantic City. The unemployment rate is higher in the Company's service territory than the State of New Jersey, which in turn is higher than the U.S. nationally. The foreclosure rates for homes is also higher in the Company's service territory than New Jersey and the U.S. This is shown by foreclosures in Atlantic County, which has one of the highest rates in the U.S according to RealtyTrac. They estimate that there are 4,600 abandoned properties in Atlantic County. The troubled nature of the Atlantic City casino industry increases risk for SJG including, higher uncollectibles, depressed customer usage, and closed or suspended customer accounts. All this leads to higher risk for the Company, thereby requiring a higher rate of return.

No other company in the proxy group has been influenced by a single industry that expanded in such a dramatic way, and then declined precipitously, as the casino industry in Atlantic City. This has led to a marked declined in the Company's customer additions since the Great Recession. The customer additions expanded from 5,438 in 2009, to 8,751 in 2015, then declined to 6,901 in 2016. At present, customer additions have fallen to their lowest level since 2011, which reflects a marked decline in the economic conditions in the Company's service area.

Q. Please indicate how the Company's risk profile is affected by its construction program.

A. The Company is faced with the requirement to undertake investment to maintain and upgrade existing facilities in its service territory and to meet future growth. To maintain safe and reliable service to existing customers, the Company must invest in infrastructure upgrades. The rehabilitation of the Company's infrastructure represents a non-revenue producing use of capital. Although the Company has made significant strides in reducing its percentage of unprotected steel and cast iron pipe, they still comprise approximately 11% of its distribution mains as of year-end 2015. This represents a meaningful decline of 7% since the time of the Company's last rate case. The Company also has approximately 4% of its services consisting of unprotected steel. Again, this represents a measurable decline of 3% since the Company's last rate case.

The continuing cost of upgrading, replacing and expanding the Company's infrastructure will keep the level of construction expenditures at heightened levels, especially given the Company's large expenditures necessary to replace low pressure mains and services. Over the next five years, the Company's total capital expenditures including those associated with its infrastructure upgrade programs are expected to be approximately $1,233 million. These expenditures will represent an approximate 70% ($1,233 million ÷ $1,771 million) increase in net utility plant from the level at December 31, 2015. As noted previously, a fair rate of return for the Company represents a key to a financial profile that will provide the Company with the ability to raise the capital necessary to meet its capital needs on an ongoing basis. When additional capital is required, as shown by the construction expenditures indicated above, the regulatory process must establish a return on equity that provides a reasonable opportunity for the Company to actually achieve its cost of capital. This is especially important when the Company needs to compete for capital with other gas distribution utilities. The need for infrastructure replacement is prevalent throughout the natural gas industry. SJG must compete for capital with other natural gas companies in other states, as well as other utilities and non-regulated companies. To successfully compete it must have a fair rate of return on invested capital.

Q. Does your cost of equity analysis and recommendation take into account the Company's Conservation Incentive Program ("CIP")?

A. Yes. The Company currently operates under a CIP that provides revenue decoupling and promotes conservation programs. It is intended to reconcile actual weather adjusted sales margins with those approved in the rate case. Weather variations are also part of the CIP, which formerly was handled through the Temperature Adjustment Clause ("TAC"), which was in place for many years for the Company. My cost of equity analysis that provides a rate of return on common equity of 11.00% takes into account the Company's decoupling mechanism.

Q. How have you addressed this issue?

A. The LDCs included in my Gas Group already have tariff mechanisms similar to decoupling. Therefore, my analysis already reflects the impact of decoupling on investor expectations through the use of market-determined models. All but two of the companies in my Gas Group have some form of revenue decoupling mechanism ("RDM") that is intended to accomplish the same result as the Company's decoupling mechanism. One exception is Spire, which does not have an RDM but does have a weather mitigated rate design that recovers its fixed costs more evenly during the heating season. This rate is designed to accomplish more assured recovery of fixed costs in spite of variations in sales, which is the intent of decoupling of revenues from variations in sales due to weather. The other exception is Chesapeake Utilities that does not have a decoupling mechanism in its tariff. As a group, the market prices of these companies' common equity reflect the expectations of investors that the companies' revenues are stabilized to some extent by a decoupling mechanism. Therefore, my analysis reflects the impacts of decoupling on investor expectations through the use of market-determined models. As such, the market prices of these companies' common stocks reflect the expectations of investors related to a regulatory mechanism that adjusts revenues for conservation, abnormal weather, and other items. The trend in the industry is to stabilize the recovery of fixed costs, which are unaffected by usage. Indeed, there has been a proliferation of tracking mechanisms in the LDC business. Since the risk attributes related to the RDM are "baked in" to the stock prices of the Gas Group that I use to measure the Company's cost of equity, if SJG did not have an RDM its cost of equity would be higher in comparison to the Gas Group.

Q. How should the Board respond to the issues facing the natural gas utilities and, in particular, the Company?

A. The Board should recognize and take into account the competitive environment and the risk it poses to SJG and its natural gas business in determining the cost of capital for the Company, and provide a reasonable opportunity for the Company to actually achieve its cost of capital during a period of significant, continuous investments in its infrastructure.

FUNDAMENTAL RISK ANALYSIS

Q. Is it necessary to conduct a fundamental risk analysis to provide a framework for a determination of a utility's cost of equity?

A. Yes, it is. It is necessary to establish a company's relative risk position within its industry through a fundamental analysis of various quantitative and qualitative factors that bear upon investors' assessment of overall risk. The qualitative factors that bear upon the Company's risk have already been discussed. The quantitative risk analysis follows. For this purpose, I compared the Company to the S&P Public Utilities, an industry-wide proxy consisting of various regulated businesses, and to the Gas Group.

Q. What are the components of the S&P Public Utilities?

A. The S&P Public Utilities is a widely recognized index that is comprised of electric power and natural gas companies. These companies are identified on page 3 of Schedule PRM-4.

Q. What companies comprise the gas group?

A. My Gas Group obtained from Value Line consists of the following companies: Atmos Energy Corp., Chesapeake Utilities Corp., New Jersey Resources Corp., Northwest Natural Gas, South Jersey Industries, Inc., Southwest Gas Corp., Spire Inc., and WGL Holdings, Inc.

Q. Is knowledge of a utility's bond rating an important factor in assessing its risk and cost of capital?

A. Yes. Knowledge of a company's credit quality rating is important because the cost of each type of capital is related directly to the associated risk of the company. So, while a company's credit quality risk is shown directly by the rating and yield on its bonds, these relative risk assessments also bear upon the cost of equity. This is because a company's cost of equity is represented by its borrowing cost plus compensation to recognize the higher risk of an equity investment compared to debt.

Q. How do the credit quality ratings compare for the Company, the Gas Group, and the S&P Public Utilities?

A. The Company's credit quality ratings are A2 from Moody's Investors Service ("Moody's") and BBB+ from Standard & Poor's Corporation ("S&P"). These ratings represent the Long Term ("LT") issuer rating by Moody's and the corporate credit rating ("CCR") designation by S&P, which focuses upon the credit quality of the issuer of the debt rather than upon the debt obligation itself. For the Gas Group, the average LT issuer rating is A2 by Moody's and the average CCR is A by S&P, as displayed on page 2 of Schedule PRM-3. For the S&P Public Utilities, the average credit quality rating is A3 by Moody's and BBB+ by S&P, as displayed on page 3 of Schedule PRM-4. Many of the financial indicators that I will subsequently discuss are considered during the rating process.

Q. How do the financial data compare for the Company, the Gas Group, and the S&P Public Utilities?

A. The broad categories of financial data that I will discuss are shown on Schedules PRM-2, PRM-3, and PRM-4. The data cover the five-year period 2011-2015. The important categories of relative risk may be summarized as follows:

<u>Size.</u> In terms of capitalization, the Company is smaller than the average size of the Gas Group, and smaller still than the average size of the S&P Public Utilities. All other things being equal, a smaller company is riskier than a larger company because a given change in revenue and expense has a proportionately greater impact on a small firm. As I will demonstrate later, the size of a company can impact its cost of equity.

Market Ratios. Market-based financial ratios, such as earnings/price ratios and dividend yields, provide a partial measure of the investor-required cost of equity. If all other factors are equal, investors will require a higher rate of return for companies that exhibit greater risk, in order to compensate for that risk. That is to say, a firm that investors perceive to have higher risks will experience a lower price per share in relation to expected earnings.[3]

There are no market ratios available for the Company because its stock is owned by SJI. As such, no comparisons of these ratios can be made for the Company. The five-year average dividend yields were higher for the S&P Public Utilities as compared to the Gas Group. The average market-to-book ratios were lower for the S&P Public Utilities.

Common Equity Ratio. The level of financial risk is measured by the proportion of long-term debt and other senior capital that is contained in a company's capitalization. Financial risk is also analyzed by comparing common equity ratios (the complement of the ratio of debt and other senior capital). That is to say, a firm with a high common equity ratio has lower financial risk, while a firm with a low common equity ratio has higher financial risk. The five-year average common equity ratios, based on permanent capital were 55.0% for SJG, 57.0% for the Gas Group, and 45.1% for the S&P Public Utilities. The financial risk is fairly similar for SJG and the Gas Group. It is worthy to note that there are a variety of reasons that the Company requires the level of equity that it is proposing in this

[3] For example, two otherwise similarly situated firms each reporting $1.00 in earnings per share would have different market prices at varying levels of risk (i.e., the firm with a higher level of risk will have a lower share value, while the firm with a lower risk profile will have a higher share value).

case. First, it is comparable to the proxy group companies (i.e., the Gas Group) that is used to measure the Company's cost of equity. Second, the Company's proposed common equity ratio is also warranted due to its unique risk characteristics, such as its coastal risk, the risk associated with serving the Atlantic County region that is economically depressed, and bypass threats in the industrial corridor along the western side of its service territory. Third, the Company needs a strong financial profile to attract the capital that it requires to complete its significant construction program, including infrastructure upgrades and investments made under its AIRP and SHARP programs.

Return on Book Equity. Greater variability (i.e., uncertainty) of a company's earned returns signifies relatively greater levels of risk, as shown by the coefficient of variation (standard deviation ÷ mean) of the rate of return on book common equity. The higher the coefficients of variation, the greater degree of variability. For the five-year period, the coefficients of variation were 0.092 (1.0% ÷ 10.9%) for the Company, 0.049 (0.5% ÷ 10.3%) for the Gas Group, and 0.063 (0.6% ÷ 9.5%) for the S&P Public Utilities. The variability of the Company's rates of return was above the Gas Group and the S&P Public Utilities, which points to more risk for SJG.

Operating Ratios. I have also compared operating ratios (the percentage of revenues consumed by operating expense, depreciation, and taxes other than income).[4] The five-year average operating ratios were 76.4% for the Company,

[4]The complement of the operating ratio is the operating margin which provides a measure of profitability. The higher the operating ratio, the lower the operating margin.

87.7% for the Gas Group, and 80.5% for the S&P Public Utilities. The operating risk for SJG is below that of the S&P Public Utilities and the Gas Group.

Coverage. The level of fixed charge coverage (i.e., the multiple by which available earnings cover fixed charges, such as interest expense) provides an indication of the earnings protection for creditors. Higher levels of coverage, and hence earnings protection for fixed charges, are usually associated with superior grades of creditworthiness. Excluding Allowance for Funds Used During Construction ("AFUDC"), the five-year average pre-tax interest coverage was 5.38 times for the Company, 4.94 times for the Gas Group, and 3.18 times for the S&P Public Utilities. The Company's credit quality risk is somewhat better than that of the Gas Group.

Quality of Earnings. Measures of earnings quality usually are revealed by the percentage of AFUDC related to income available for common equity, the effective income tax rate, and other cost deferrals. These measures of earnings quality usually influence a company's internally generated funds because poor quality of earnings would not generate high levels of cash flow. Quality of earnings has not been a significant concern for the Company, the Gas Group and the S&P Public Utilities.

Internally Generated Funds. Internally generated funds ("IGF") provide an important source of new investment capital for a utility and represent a key measure of credit strength. Historically, the five-year average percentage of IGF to capital expenditures was 68.0% for the Company, 79.3% for the Gas Group, and 81.0% for the S&P Public Utilities. The Company's cash flow to construction has been weaker in a meaningful way compared to the Gas Group and the S&P Public Utilities, thus pointing to higher risk.

Betas. The financial data discussed thus far, relates primarily to company-specific risks. Market risk for companies with publicly-traded stock is measured by beta coefficients. Beta coefficients attempt to identify systematic risk, i.e., the risk associated with changes in the overall market for common equities.[5] Value Line publishes a statistical measure of a stock's relative historical volatility to the rest of the market. A comparison of market risk is shown by the Value Line beta of 0.73 as the average for the Gas Group (see page 2 of Schedule PRM-3) and 0.75 as the average for the S&P Public Utilities (see page 3 of Schedule PRM-4). Since the stock of SJG is not traded, there are no published betas available for the Company.

Q. Please summarize your risk evaluation.

A. The risk of SJG parallels that of the Gas Group in certain respects. In several aspects, principally related to its smaller size, its higher earnings variability, and its weaker cash flow to construction, SJG's risk is higher than that of the Gas Group. Its common equity ratio and its quality of earnings are fairly similar to the Gas Group. Its operating ratio is lower and interest coverages are higher than the Gas Group. On balance, the quantitative risk factors average out, indicating that the cost of equity for the Gas Group would provide a reasonable basis for measuring the Company's cost of equity for this case. In several significant respects, the

[5]The procedure used to calculate the beta coefficient published by Value Line is described in Appendix I. A common stock that has a beta less than 1.0 is considered to have less systematic risk than the market as a whole and would be expected to rise and fall more slowly than the rest of the market. A stock with a beta above 1.0 would have more systematic risk.

Company's risk is higher due to its small size, its service territory in the economically depressed Atlantic County region, and deliveries to large volume customers along the Delaware River, which are sensitive to the business cycle and the threat of bypass. As noted previously, due to a variety of risk factors, the Company requires the common equity ratio that it is proposing in this case.

CAPITAL STRUCTURE RATIOS

Q. Please explain the selection of capital structure ratios for the Company.

A. In the situation where the operating public utility raises its own debt directly in the capital markets, as is the case for SJG, it is proper to employ the capital structure ratios and senior capital cost rates of the regulated public utility for rate of return purposes. Therefore, the ratios of SJG, together with its embedded cost rates of senior securities, should be employed for this case.

Q. Does Schedule PRM-5 provide the capitalization and capital structure ratios you have considered?

A. Yes. Schedule PRM-5 presents the Company's actual capitalization and related capital structure ratios at November 30, 2016 and estimated at the August 31, 2017. The Company has already committed to issue $200 million of 30-year medium term notes ("MTN") at a rate of 3.00% on January 19, 2017. The Company also has plans to refinance a portion of its borrowings under a Capital Investment Facility for another three-years on or about January 19, 2017. It expects to borrow $162 million under this facility. This issue will have a variable rate tied to LIBOR plus a margin of 85 basis points. The maturity date for this facility will be January 19, 2020. The Company is also scheduled to receive a $40 million capital contribution from its parent in January 2017. A maturity and sinking fund payment have also been reflected in the test year. Explanatory notes are provided on Schedule PRM-5 concerning these financing plans, as well as the forecast change in the Company's retained earnings account.

I have not reflected short-term debt in the Company's capital structure ratios for this case because it is not a permanent source of financing for its rate base. The Company uses short-term debt as bridge financing until it accumulates to a size that makes a permanent financing economical. That is to say, short-term debt represents interim financing that will be replaced with long-term debt and common equity on a periodic basis. Moreover, the Company uses short-term debt to finance non-rate base items. One non-rate base capital item is the Remediation Adjustment Clause ("RAC") deferred balance. The deferred balance of the RAC is expected to be $218.2 million, as the twelve month average during the test year. This amount will likely far exceed the projected balances of short-term debt that might be outstanding. Therefore, it is reasonable to assume that short-term debt represents the source of funds used to finance the RAC and not the rate base. To avoid double counting, short-term debt must be excluded from the capital structure when setting base rates. As a consequence, no amount of short-term debt can be assumed to finance the rate base in this case.

Moreover, it is the Company's policy to continuously replace short-term debt with long-term debt as its permanent source of capital. In order to facilitate the future issuance of long-term debt, the Company is currently engaged in a comprehensive revision of its mortgage indenture, through a supplement amending and restating the mortgage. This new indenture will facilitate the future issuance of long-term debt to replace short-term debt.

Q. Have you made specific rate-setting adjustments to the Company's capital structure to recognize the early redemption of long-term debt?

A. Yes. I have made a rate-setting adjustment to the capital structure for the call premiums paid to redeem long-term debt. In this regard, the principal amount of long-term debt has been reduced by the amounts used to finance the call premiums for the early redemption of long-term debt (see pages 1 and 2 of Schedule PRM-6). To do otherwise would deny the Company the full return on the premiums paid to redeem this long-term debt since additional amounts of capital were used to pay the call premiums. The Company's long-term debt amount must be adjusted for this disparity so that the return necessary to service the capitalization is produced from rate base investment times the overall rate of return. The unamortized amount of the original issuance expenses on the debt that was redeemed was added to the issuance costs on the new debt.

These adjustments are equitable since customers receive the cost savings resulting from the refinancing in the form of a lower overall rate of return, and the Company recovers all costs incurred in providing these benefits to customers. To accomplish these savings, the Company paid the debt holders a premium over the principal amount for surrendering their securities prior to maturity. These premiums represented an investment made by the Company to reduce its overall cost of capital. Since the reduced interest costs are reflected in the lower cost of capital to ratepayers, it is appropriate that the Company recover the costs incurred to produce these savings. That is to say, the Company is proposing to recover only those costs that produced interest cost savings that are passed through to customers. Adjusting the principal amounts as shown on pages 1 and 2 of Schedule PRM-6 provides a return on the premium.

Q. What capital structure ratios do you recommend be adopted for rate of return purposes in this proceeding?

A. Since rate-setting is prospective, the rate of return should consider conditions that will exist during the period of time the proposed rates will be effective. As a result, I will adopt the Company's projected capital structure ratios of 45.76% long-term debt and 54.24% common equity. These capital structure ratios are the best approximation of the mix of capital the Company will employ to finance its rate base.

COST OF SENIOR CAPITAL

Q. What cost rate have you assigned to the debt portion of the Company's capital structure?

A. The determination of the cost of debt is essentially an arithmetic exercise. This is due to the fact that the Company has contracted for the use of this capital for a specific period of time at a specified cost rate. As shown on page 1 of Schedule PRM-6, the actual embedded cost of long-term debt was 3.70% at November 30, 2016.

The projected embedded debt cost rate is estimated to also be 3.70% for the test year end August 31, 2017, as shown on page 2 of Schedule PRM-6. The actual coupon rate of the new thirty-year debt will be 3.00%. An estimated cost for the

Capital Investment Facility loan is 2.25%, consisting of the LIBOR forecast of 1.40% plus the margin of 0.85%. As previously explained, I have also recognized the cost associated with the call premium for the early redemption of long-term debt. The details leading to the development of the individual effective cost rates for each series of long-term debt, using the cost rate to maturity technique, are shown on page 3 of Schedule PRM-6. The cost rate, or yield to maturity, is the rate of discount that equates the present value of the interest and principal payments with the net proceeds of the bond.

I will adopt the 3.70% projected embedded cost of long-term debt for rate of return purposes. The 3.70% debt cost rate is related to the amount of debt shown on Schedule PRM-5 that provides the basis for the 45.76% long-term debt ratio.

COST OF EQUITY – GENERAL APPROACH

Q. Please describe how you determined the cost of equity for the Company.

A. Although my fundamental financial analysis provides the required framework to establish the risk relationships among SJG, the Gas Group, and the S&P Public Utilities, the cost of equity must be measured by standard financial models that I identified above. Differences in risk traits, such as size, business diversification, geographical diversity, regulatory policy, financial leverage, and bond ratings must be considered when analyzing the cost of equity.

It is also important to reiterate that no one method or model of the cost of equity can be applied in an isolated manner. Rather, informed judgment must be used to take into consideration the relative risk traits of the company. It is for this reason that I have used more than one method to measure the Company's cost of equity. As I describe below, each of the methods used to measure the cost of equity contains certain incomplete and/or overly restrictive assumptions and constraints that are not optimal. Therefore, I favor considering the results from a variety of methods. In this regard, I applied each of the methods with data taken from the Gas Group and arrived at a cost of equity of 11.00% for the Company.

DISCOUNTED CASH FLOW

Q. Please describe the Discounted Cash Flow ("DCF") model.

A. The DCF model seeks to explain the value of an asset as the present value of future expected cash flows, discounted at the appropriate risk-adjusted rate of return. In its simplest form, the DCF return on common stock consists of a current cash (dividend) yield and future price appreciation (growth) of the investment. The dividend discount equation is the familiar DCF valuation model and assumes future dividends are systematically related to one another by a constant growth rate. The DCF formula is derived from the standard valuation model: $P = D/(k-g)$, where P = price, D = dividend, k = the cost of equity, and g = growth in cash flows. By rearranging the terms, we obtain the familiar DCF equation: $k= D/P + g$. All of the terms in the DCF equation represent investors' assessment of expected future cash flows that they will receive in relation to the value that they set for a share of stock (P). The DCF equation is sometimes referred to as the "Gordon" model.[6] My DCF

[6] Although the popular application of the DCF model is often attributed to the work of Myron J. Gordon in the mid-1950's, J. B. Williams exposited the DCF model in its present form nearly two decades earlier.

results are provided on page 2 of Schedule PRM-1 for the Gas Group. The DCF return is 10.18% including flotation costs.

Among other limitations of the model, there is a certain element of circularity in the DCF method when applied in rate cases. This is because investors' expectations for the future depend upon regulatory decisions. In turn, when regulators depend upon the DCF model to set the cost of equity, they rely upon investor expectations that include an assessment of how regulators will decide rate cases. Due to this circularity, the DCF model may not fully reflect the true risk of a utility.

Q. What is the dividend yield component of a DCF analysis?

A. The dividend yield reveals the portion of investors' cash flow that is generated by the return provided by dividend receipts. It is measured by the dividends per share relative to the price per share. The DCF methodology requires the use of an expected dividend yield to establish the investor-required cost of equity. For the twelve months ended October 2016, the monthly dividend yields are shown on Schedule PRM-7 and reflect an adjustment to the month-end prices to reflect the buildup of the dividend in the price that has occurred since the last ex-dividend date (i.e., the date by which a shareholder must own the shares to be entitled to the dividend payment – usually about two to three weeks prior to the actual payment).

For the twelve months ended October 2016, the average dividend yield was 2.88% for the Gas Group based upon a calculation using annualized dividend payments and adjusted month-end stock prices. The dividend yields for the more recent six- and three-month periods were 2.77% and 2.87%, respectively. I have used, for the purpose of the DCF model, the six-month average dividend yield of 2.77% for the Gas Group. The use of this dividend yield will reflect current capital costs, while avoiding spot yields. For the purpose of a DCF calculation, the average dividend yield must be adjusted to reflect the prospective nature of the dividend payments, i.e., the higher expected dividends for the future. Recall that the DCF is an expectational model that must reflect investor anticipated cash flows for the Gas Group. I have adjusted the six-month average dividend yield in three different, but generally accepted, manners and used the average of the three adjusted values as calculated in the lower panel of data presented on Schedule PRM-7. This adjustment adds nine basis points to the six-month average historical yield, thus producing the 2.86% adjusted dividend yield for the Gas Group.

Q. What are the most significant factors that influence investors' growth expectations?

A. As noted previously, investors are interested principally in the dividend yield and future growth of their investment (i.e., the price per share of the stock). Future earnings per share growth represent the DCF model's primary focus because under the constant price-earnings multiple assumption of the model, the price per share of stock will grow at the same rate as earnings per share. In conducting a growth rate analysis, a wide variety of variables can be considered when reaching a consensus of prospective growth, including: earnings, dividends, book value, and cash flow stated on a per share basis. Historical values for these variables can be considered, as well as analysts' forecasts that are widely available to investors. A fundamental growth rate analysis is sometimes represented by the internal growth ("b x r"), where "r" represents the expected rate of return on common equity and "b" is the retention rate that consists of the fraction of earnings that are not paid out as dividends. To be complete, the internal growth rate should be modified to account for sales of new common stock -- this is called external growth ("s x v"), where "s" represents the new common shares expected to be issued by a firm and "v" represents the value that accrues to existing shareholders from selling stock at a price different from book value. Fundamental growth, which combines internal and external growth, provides an explanation of the factors that cause book value per share to grow over time.

Growth also can be expressed in multiple stages. This expression of growth consists of an initial "growth" stage where a company enjoys rapidly expanding markets, high profit margins, and abnormally high growth in earnings per share. Thereafter, a company enters a "transition" stage where fewer technological advances and increased product saturation begin to reduce the growth rate and profit margins come under pressure. During the "transition" phase, investment opportunities begin to mature, capital requirements decline, and a company begins to pay out a larger percentage of earnings to shareholders. Finally, the mature or "steady-state" stage is reached when a company's earnings growth, payout ratio, and return on equity stabilizes at levels where they remain for the life of a company. The three stages of growth assume a step-down of high initial growth to lower sustainable growth. Even if these three stages of growth can be envisioned for a company, the third "steady-state" growth stage, which is assumed to remain fixed in perpetuity, represents an unrealistic expectation because the three stages of growth can be repeated. That is to say, the stages can be repeated where growth for a firm ramps-up and ramps-down in cycles over time.

Q. How did you determine an appropriate growth rate?

A. The growth rate used in a DCF calculation should measure investor expectations. Investors consider both company-specific variables and overall market sentiment (i.e., level of inflation rates, interest rates, economic conditions, etc.) when balancing their capital gains expectations with their dividend yield requirements. Investors are not influenced solely by a single set of company-specific variables weighted in a formulaic manner. Therefore, all relevant growth rate indicators using a variety of techniques must be evaluated when formulating a judgment of investor-expected growth.

Q. Did you consider company-specific data in your growth rate analysis?

A. Yes. As presented on Schedules PRM-8 and PRM-9, I have considered both historical and projected growth rates in earnings per share, dividends per share, book value per share, and cash flow per share for the Gas Group. While analysts will review all measures of growth as I have done, it is earnings per share growth that influences directly the expectations of investors for utility stocks. Forecasts of earnings growth are required within the context of the DCF because the model is a forward-looking concept, and with a constant price-earnings multiple and payout ratio, all other measures of growth will mirror earnings growth. So, with the assumptions underlying the DCF, all forward-looking projections should be similar with a constant price-earnings multiple, earned return, and payout ratio.

As to the issue of historical data, investors cannot purchase past earnings of a utility, rather they are only entitled to future earnings. In addition, assigning significant weight to historical performance results in double counting of the historical data. While history cannot be ignored, it is already factored into the analysts' forecasts of earnings growth. In developing a forecast of future earnings growth, an analyst would first apprise himself/herself of the historical performance of a company. Hence, there is no need to count historical growth rates a second time, because historical performance is already reflected in analysts' forecasts which reflect an assessment of how the future will diverge from historical performance.

Schedule PRM-8 shows the historical growth rates in earnings per share, dividends per share, book value per share, and cash flow per share for the Gas Group. The historical growth rates were taken from the Value Line publication that provides these data. As shown on Schedule PRM-8, the historical growth of earnings per share was in the range of 4.25% to 5.38% for the Gas Group.

Q. Did you also consider analysts' expectations of expected growth?

A. Yes. Schedule PRM-9 provides projected earnings per share growth rates taken from analysts' five year forecasts compiled by IBES/First Call, Zacks, Morningstar, SNL, and Value Line. IBES/First Call, Zacks, Morningstar, and SNL represent reliable authorities of projected growth upon which investors rely. The IBES/First Call, Zacks, and SNL growth rates are consensus forecasts taken from a survey of analysts that make projections of growth for these companies. The IBES/First Call, Zacks, Morningstar, and SNL estimates are obtained from the Internet and are widely available to investors. First Call is among the most frequently quoted sources in the financial press when reporting on earnings forecasts. The Value Line forecasts also are widely available to investors and can be obtained by subscription or free-of-charge at most public and collegiate libraries. The IBES/First Call, Zacks, Morningstar, and SNL forecasts are limited to earnings per share growth, while Value Line makes projections of other financial variables. The Value Line forecasts of dividends per share, book value per share, and cash flow per share have also been included on Schedule PRM-9 for the Gas Group.

Q. Is a five-year investment horizon associated with the analysts' forecasts consistent with the traditional DCF model?

A. Yes. The constant form of the DCF assumes an infinite stream of cash flows, but investors do not expect to hold an investment indefinitely. Rather than viewing the DCF in the context of an endless stream of growing dividends (e.g., a century of cash flows), the growth in the share value (i.e., capital appreciation, or capital gains yield) is most relevant to investors' total return expectations. Hence, the sale price of a stock can be viewed as a liquidating dividend that can be discounted along with the annual dividend receipts during the investment-holding period to arrive at the investor expected return. The growth in the price per share will equal the growth in earnings per share absent any change in price-earnings ("P-E") multiple -- a necessary assumption of the DCF. As such, my company-specific growth analysis, which focuses principally upon five-year forecasts of earnings per share growth, conforms with the type of analysis that influences the actual total return expectation of investors. Moreover, academic research focuses on five-year growth rates as they influence stock prices. Indeed, if investors really required forecasts which extended beyond five years in order to properly value common stocks, then I am sure that some investment advisory service would begin publishing that information for individual stocks in order to meet the demands of investors. The absence of such a publication suggests that there is no market for this information, because investors do not require infinite forecasts in order to purchase and sell stocks in the marketplace.

Q. What are the projected growth rates published by the sources you discussed?

A. As to the five-year forecast growth rates, Schedule PRM-9 indicates that the projected earnings per share growth rates for the Gas Group are 5.57% by IBES/First Call, 6.33% by Zacks, 6.73% by Morningstar, 6.11% by SNL and 5.69%% by Value Line. As noted earlier, with the constant price-earnings multiple assumption of the DCF model, growth for the Gas Group companies will occur at the higher earnings per share growth rate, thus producing the capital gains yield expected by investors.

Q. What other factors did you consider in developing a growth rate?

A. I considered a variety of factors to reach my conclusion on the DCF growth rate. However, certain growth rate variables were given greater weight. From the various alternative measures of growth identified above, earnings per share should and did receive the greatest emphasis. Earnings per share growth are the primary determinant of investors' expectations regarding their total returns in the stock market. This is because the capital gains yield (i.e., price appreciation) will track earnings growth with a constant price earnings multiple (a key assumption of the

DCF model). Moreover, earnings per share (derived from net income) are the source of dividend payments and are the primary driver of retention growth and its surrogate, i.e., book value per share growth. As such, under these circumstances, greater emphasis must be placed upon projected earnings per share growth. In this regard, it is worthwhile to note that Professor Myron Gordon, the foremost proponent of the DCF model in rate cases, concluded that the best measure of growth in the DCF model is a forecast of earnings per share growth.[7] Hence, to follow Professor Gordon's findings, projections of earnings per share growth, such as those published by IBES/First Call, Zacks, Morningstar, and Value Line, represent a reasonable assessment of investor expectations.

Q. What growth rate do you use in your DCF model?

A. The forecasts of earnings per share growth, as shown on Schedule PRM-9, provide a range of average growth rates of 5.57% to 6.73%. Although the DCF growth rates cannot be established solely with a mathematical formulation, it is my opinion that an investor-expected growth rate of 6.25% is a reasonable estimate of investor expected growth within the array of earnings per share growth rates shown by the analysts' forecasts. The improved economic growth supports a higher DCF growth rate for the Gas Group. Moreover, for natural gas distribution utilities, additional emphasis on infrastructure rehabilitation suggests that growth will be near the top of the range.

[7] Gordon, Gordon & Gould, "Choice Among Methods of Estimating Share Yield," The Journal of Portfolio Management (Spring 1989).

Q. Are the dividend yield and growth components of the DCF adequate to explain the rate of return on common equity when it is used in the calculation of the weighted average cost of capital?

A. Yes, however, this is true only if the capital structure ratios are measured with the market value of debt and equity. In the case of the Gas Group, those average capital structure ratios are 31.77% long-term debt, 0.09% preferred stock, and 68.14% common equity, as shown on Schedule PRM-10. If book values are used to compute the capital structure ratios, then a leverage adjustment is required.

Q. What is a leverage adjustment?

A. Where a company's capitalization, as measured by its stock price, diverges from its book value capitalization, the potential exists for a financial risk difference, because the capitalization of a utility measured at its market value contains more equity, less debt and therefore, less risk than the capitalization measured at its book value. A leverage adjustment accounts for this difference between market value and book value capital structures.

Q. Why is a leverage adjustment necessary?

A. In order to make the DCF results relevant to the capitalization measured at book value (as is done for rate setting purposes) the market-derived cost rate must be adjusted to account for this difference in financial risk. The only perspective that is important to investors is the return that they can realize on the market value of their investment. As I have measured the DCF, the simple yield (D/P) plus growth (g) provides a return applicable strictly to the price (P) that an investor is willing to pay for a share of stock. The need for the leverage adjustment arises when the results of the DCF model (k) are applied to a capital structure that is different than indicated by the market price (P). From the market perspective, the financial risk of the Gas Group is accurately measured by the capital structure ratios calculated from the market capitalization of a company. If the rate setting process utilized the market capitalization ratios, then no additional analysis or adjustment would be required, and the simple yield (D/P) plus growth (g) components of the DCF would satisfy the financial risk associated with the market value of the equity capitalization. Because the rate setting process uses a different set of ratios calculated from the book value capitalization, further analysis is required to synchronize the financial risk of the book capitalization with the required return on the book value of the equity. This adjustment is developed through precise mathematical calculations, using well recognized analytical procedures that are widely accepted in financial theory. To arrive at that return, the rate of return on common equity is the unleveraged cost of capital (or equity return at 100% equity) plus one or more terms reflecting the increase in financial risk resulting from the use of leverage in the capital structure. The calculations presented in the lower panel of data shown on Schedule PRM-10, under the heading "M&M," provides a return of 7.86% when applicable to a capital structure with 100% common equity.

Q. Are there specific factors that influence market-to-book ratios that determine whether the leverage adjustment should be made?

A. No. The leverage adjustment is not intended, nor was it designed, to address the reasons that stock prices vary from book value. Hence, any observations concerning market prices relative to book are not on point. The leverage adjustment deals with the issue of financial risk and does not transform the DCF result to a book value return through a market-to-book adjustment. Again, the leverage adjustment that I propose is based on the fundamental financial precept that the cost of equity is equal to the rate of return for an unleveraged company (i.e., where the overall rate of return equates to the cost of equity with a capital structure that contains 100% equity) plus the additional return required for introducing debt and/or preferred stock leverage into the capital structure.

Further, as noted previously, the relatively high market prices of utility stocks cannot be attributed solely to the notion that these companies are expected to earn a return on equity that differs from their cost of equity. Stock prices above book value are common for utility stocks, and indeed the stock prices of non-regulated companies exceed book values by even greater margins. In this regard, according to the Barron's issue of December 12, 2016, the major market indices' market-to-book ratios are well above unity. The Dow Jones Utility index traded at a multiple of 1.87 times book value, which is below the market multiple of other indices. For example, the S&P Industrial index was at 3.94 times book value, and the Dow Jones Industrial index was at 3.41 times book value. It is difficult to accept that the vast majority of all companies operating in our economy are generating returns far in excess of their cost of capital. Certainly, in our free-market economy, competition should contain such "excesses" if they indeed exist.

Finally, the leverage adjustment adds stability to the final DCF cost rate. That is to say, as the market capitalization increases relative to its book value, the leverage adjustment increases while the simple yield (D/P) plus growth (g) result declines. The reverse is also true that when the market capitalization declines, the leverage adjustment also declines as the simple yield (D/P) plus growth (g) result increases.

Q. Is the leverage adjustment that you propose designed to transform the market return into one that is designed to produce a particular market-to-book ratio?

A. No, it is not. The adjustment that I label as a "leverage adjustment" is merely a convenient way of showing the amount that must be added to (or subtracted from) the result of the simple DCF model (i.e., D/P + g), in the context of a return that applies to the capital structure used in ratemaking, which is computed with book value weights rather than market value weights, in order to arrive at the utility's total cost of equity. I specify a separate factor, which I call the "leverage adjustment", but there is no need to do so other than providing identification for this factor. If I expressed my return solely in the context of the book value weights that we use to calculate the weighted average cost of capital, and ignore the familiar D/P + g expression entirely, then there would be no separate element to reflect the financial leverage change from market value to book value capitalization. As shown in the bottom panel of data on Schedule PRM-10, the equity return applicable to the book value common equity ratio is equal to 7.86%, which is the return for the Gas Group applicable to its equity with no debt in its capital structure (i.e., the cost of capital is equal to the cost of equity with a 100% equity ratio) plus 2.16% compensation for having a 44.46% debt ratio, plus 0.01% for having a 0.16% preferred stock ratio. The sum of the parts is 10.03% (7.86% + 2.16% + 0.01%) and there is no need to even address the cost of equity in terms of D/P + g.

To express this same return in the context of the familiar DCF model, I summed the 2.86% dividend yield, the 6.25% growth rate, and the 0.92% for the leverage adjustment in order to arrive at the same 10.03% (2.86% + 6.25% + 0.92%) return. I know of no means to mathematically solve for the 0.92% leverage adjustment by expressing it in terms of any particular relationship of market price to book value. The 0.92% adjustment is merely a convenient way to compare the 10.03% return computed directly with the Modigliani & Miller formulas to the 9.11% return generated by the DCF model (i.e., D_1/P_0 + g, or the traditional form of the DCF -- see page 1 of Schedule 7) based on a market value capital structure. A 9.11% return assigned to anything other than the market value of equity cannot equate to a reasonable return on book value that has higher financial risk. My point is that when we use a market-determined cost of equity developed from the DCF model, it reflects a level of financial risk that is different (in this case, lower) than the capital structure stated at book value. This process has nothing to do with targeting any particular market-to-book ratio.

Q. What does your DCF analysis show?

A. As explained previously, I have utilized a six-month average dividend yield ("D_1/P_0") adjusted in a forward-looking manner for my DCF calculation. This dividend yield is used in conjunction with the growth rate ("g") previously developed. The DCF also includes the leverage modification ("lev.") required when the book value equity ratio is used in determining the weighted average cost of capital in the rate setting process rather than the market value equity ratio related to the price of stock. In addition, flotation costs ("flot.") have also been recognized in the DCF return. The resulting DCF cost rate is:

	D_1/P_0	+	g	+	lev.	=	k	x	flot.	=	K
Gas Group	2.86%	+	6.25%	+	0.92%	=	10.03%	x	1.015	=	10.18%

The DCF result shown above represents the simplified (i.e., Gordon) form of the model that contains a constant growth assumption. I should reiterate, however, that the DCF-indicated cost rate provides an explanation of the rate of return on common stock market prices without regard to the prospect of a change in the price-earnings multiple. An assumption that there will be no change in the price-earnings multiple is not supported by the realities of the equity market, because price-earnings multiples do not remain constant. This is one of the constraints of this model and why I believe it is important to consider other model results when determining the Company's cost of equity.

Q. How have you measured the flotation cost allowance for the DCF return?

A. The flotation cost adjustment adds 0.15% (10.18% - 10.03%) to the rate of return on common equity for the Gas Group as shown by the calculations provided on page 2 of Schedule PRM-1. This adjustment is reasonable and supported by the analysis of natural gas utility stock issue shown on Schedule PRM-11. There, I show that the average underwriters' discount and commission and company issuance expenses are 3.8% for the eighteen issues of common stock shown for the Gas Group. Significantly, SJI issued 8,050,000 shares of new stock on May 12, 2016 and incurred issuance costs of 3.7% for this issue. Of the $203 million of net proceeds from this issue, SJG received $105 million ($65 million on June 24, 2016 and $40 million scheduled for January 2017) of this new common equity. Since I apply the flotation cost to the entire DCF result, I have utilized an adjustment factor that is less than one-half of the 3.8% as measured on Schedule PRM-1. Hence, my flotation cost adjustment factor is 1.015, which is used on page 2 of Schedule PRM-1.

RISK PREMIUM ANALYSIS

Q. Please describe your use of the risk premium approach to determine the cost of equity.

A. With the Risk Premium approach, the cost of equity capital is determined by corporate bond yields plus a premium to account for the fact that common equity is exposed to greater investment risk than debt capital. The result of my Risk Premium study is shown on page 2 of Schedule PRM-1. That result is 11.15%, including flotation costs.

Q. What long-term public utility debt cost rate did you use in your Risk Premium analysis?

A. I used a 4.75% yield, which represents a reasonable estimate of the prospective yield on long-term A-rated public utility bonds.

Q. What historical data is shown by the Moody's data?

A. I have analyzed the historical yields on the Moody's index of long-term public utility debt as shown on page 1 of Schedule PRM-12. Specifically, for the twelve months ended October 2016, the average monthly yield on Moody's index of A-rated public utility bonds was 3.97%. For the six and three-month periods ended

October 2016, the yields were 3.72% and 3.67%, respectively. During the twelve-months ended October 2016, the range of the yields on A-rated public utility bonds was 3.57% to 4.40%. Page 2 of Schedule PRM-12 shows the long-run spread in yields between A-rated public utility bonds and long-term Treasury bonds. As shown on page 3 of Schedule PRM-12, the yields on A-rated public utility bonds have exceeded those on Treasury bonds by 1.37% on a twelve-month average basis, 1.31% on a six-month average basis, and 1.30% on a three-month average basis. From these averages, 1.25% represents a conservative spread for the yield on A-rated public utility bonds over Treasury bonds.

Q. What forecasts of interest rates have you considered in your analysis?

A. I have determined the prospective yield on A-rated public utility debt by using the Blue Chip Financial Forecasts ("Blue Chip") along with the spread in the yields that I describe below. The Blue Chip is a reliable authority and contains consensus forecasts of a variety of interest rates compiled from a panel of banking, brokerage, and investment advisory services. In early 1999, Blue Chip stopped publishing forecasts of yields on A-rated public utility bonds because the Federal Reserve deleted these yields from its Statistical Release H.15. To independently project a forecast of the yields on A-rated public utility bonds, I have combined the forecast yields on long-term Treasury bonds published on November 1, 2016, and a yield spread of 1.25%, derived from historical data.

Q. How have you used these data to project the yield on A-rated public utility bonds for the purpose of your Risk Premium analyses?

A. Shown below is my calculation of the prospective yield on A-rated public utility bonds using the building blocks discussed above, i.e., the Blue Chip forecast of Treasury bond yields and the public utility bond yield spread. For comparative purposes, I also have shown the Blue Chip forecasts of Aaa-rated and Baa-rated corporate bonds. These forecasts are:

		Blue Chip Financial Forecasts				
		Corporate		30-Year	A-rated Public Utility	
Year	Quarter	Aaa-rated	Baa-rated	Treasury	Spread	Yield
2016	Fourth	3.8%	4.7%	2.8%	1.25%	4.05%
2017	First	4.0%	4.9%	3.0%	1.25%	4.25%
2017	Second	4.1%	5.1%	3.1%	1.25%	4.35%
2017	Third	4.2%	5.2%	3.2%	1.25%	4.45%
2017	Fourth	4.4%	5.3%	3.3%	1.25%	4.55%
2018	First	4.5%	5.5%	3.4%	1.25%	4.65%

Q. Are there additional forecasts of interest rates that extend beyond those shown above?

A. Yes. Twice yearly, Blue Chip provides long-term forecasts of interest rates. In its December 1, 2016 publication, Blue Chip published longer-term forecasts of interest rates, which were reported to be:

	Blue Chip Financial Forecasts		
	Corporate		30-Year
Averages	Aaa-rated	Baa-rated	Treasury
2018-2022	5.3%	6.3%	4.2%
2023-2027	5.5%	6.4%	4.5%

The longer-term forecasts by Blue Chip suggest that interest rates will move up from the levels revealed by the near-term forecasts. By focusing more on these forecasts, a 4.75% yield on A-rated public utility bonds represents a conservative benchmark for measuring the cost of equity in this case.

Q. What equity risk premium have you determined for public utilities?

A. With the forecast indicating an upward movement of interest rates (described below) from historically low levels, I have utilized a 6.50% equity risk premium. To develop an appropriate equity risk premium, I analyzed the results from 2016 SBBI Yearbook, Stocks, Bonds, Bills and Inflation. My investigation reveals that the equity risk premium varies according to the level of interest rates. That is to say, the equity risk premium increases as interest rates decline and it declines as interest rates increase. This inverse relationship is revealed by the summary data presented below and shown on page 1 of Schedule 13.

Common Equity Risk Premiums		
Low Interest Rates		7.12%
Average Across All Interest Rates		5.65%
High Interest Rates		4.18%

Based on my analysis of the historical data, the equity risk premium was 7.12% when the marginal cost of long-term government bonds was low (i.e., 2.97%, which was the average yield during periods of low rates). Conversely, when the yield on long-term government bonds was high (i.e., 7.22% on average during periods of high interest rates) the spread narrowed to 4.18%. Over the entire spectrum of interest rates, the equity risk premium was 5.65% when the average government bond yield was 5.09%. The 6.50% equity risk premium utilized is between the

7.12% premium related to periods of low interest rates and the 5.65% premium related to average interest rates across all levels.

Q. What common equity cost rate did you determine based on your risk premium analysis?

A. As determined through my analysis, the Risk Premium approach provides a cost of equity of 11.40% (including flotation costs) expressed as follows:

	i	+	*RP*	=	*k*	+	*flot.*	=	*K*
Gas Group	4.75%	+	6.50%	=	11.25%	+	0.15%	=	11.40%

The cost of equity (i.e., “k”) is represented by the sum of the prospective yield for long-term public utility debt (i.e., “i”), the equity risk premium (i.e., “RP”), and flotation costs (i.e., “flot.”).

CAPITAL ASSET PRICING MODEL

Q. Generally speaking, how is the CAPM used to measure the cost of equity?

A. The CAPM uses the yield on a risk-free interest bearing obligation plus a rate of return premium that is proportional to the systematic risk of an investment. As shown on page 2 of Schedule PRM-1, the result of my CAPM analysis is 11.17%, including flotation costs. To compute the cost of equity with the CAPM, three components are necessary: a risk-free rate of return (“Rf”), the beta measure of systematic risk (“β”), and the market risk premium (“Rm-Rf”) derived from the total return on the market of equities reduced by the risk-free rate of return. The CAPM specifically accounts for differences in systematic risk (i.e., market risk as measured by the beta) between an individual firm or group of firms and the entire market of equities.

Q. What betas have you considered in the CAPM?

A. For my CAPM analysis, I initially considered the Value Line betas. As shown on page 2 of Schedule PRM-3, the average beta is 0.73 for the Gas Group.

Q. Did you use the Value Line betas in your CAPM determined cost of equity?

A. I used the Value Line betas as a foundation for the leverage adjusted betas that I used in my CAPM analysis. The betas must be reflective of the financial risk associated with the rate setting capital structure that is measured at book value. Therefore, Value Line betas cannot be used directly in the CAPM, unless the cost rate developed using those betas is applied to a capital structure measured with market values. To develop a CAPM cost rate applicable to a book-value capital structure, the Value Line (market value) betas have been unleveraged and releveraged for the book value common equity ratios using the Hamada formula,[8] as follows:

$$\beta l = \beta u \; [1 + (1 - t)\, D/E + P/E]$$

where ßl = the leveraged beta, ßu = the unleveraged beta, t = income tax rate, D = debt ratio, P = preferred stock ratio, and E = common equity ratio. The betas published by Value Line have been calculated with the market price of stock and are related to the market value capitalization. By using the formula shown above

[8] Robert S. Hamada, "The Effects of the Firm's Capital Structure on the Systematic Risk of Common Stocks" *The Journal of Finance* Vol. 27, No. 2, Papers and Proceedings of the Thirtieth Annual Meeting of the American Finance Association, New Orleans, Louisiana, December 27-29, 1971. (May 1972), pp.435-452.

and the capital structure ratios measured at market value, the beta would become 0.56 for the Gas Group if it employed no leverage and was 100% equity financed. Those calculations are shown on Schedule PRM-10 under the section labeled "Hamada". With the unleveraged beta as a base, I calculated the leveraged beta of 0.85 for the book value capital structure of the Gas Group. The book value leveraged beta that I will employ in the CAPM cost of equity is 0.85 for the Gas Group.

Q. What risk-free rate have you used in your CAPM analysis and explain how it was derived?

A. I have used a 3.50% risk-free rate of return for CAPM purposes. As shown on page 1 of Schedule PRM-14, I provided the historical yields on Treasury notes and bonds. For the twelve months ended October 2016, the average yield on 30-year Treasury bonds was 2.60%. For the six- and three-months ended October 2016, the yields on 30-year Treasury bonds were 2.40% and 2.37%, respectively. During the twelve-months ended October 2016, the range of the yields on 30-year Treasury bonds was 2.23% to 3.03%. The low yields that existed during recent periods can be traced to the financial crisis and its aftermath commonly referred to as the Great Recession. The resulting decline in the yields on Treasury obligations was attributed to a number of factors, including: the sovereign debt crisis in the euro zone, concern over a possible double dip recession, the potential for deflation, and the Federal Reserve's large balance sheet that was expanded through the purchase of Treasury obligations and mortgage-backed securities (also known as QEI, QEII, and QEIII), and the reinvestment of the proceeds from maturing obligations and the lengthening of the maturity of the Fed's bond portfolio through the sale of short-term Treasuries and the purchase of long-term Treasury obligations (also known as "operation twist"). Essentially, low interest rates were the product of the policy of the Federal Open Market Committee ("FOMC") in its attempt to deal with stagnant job growth, which is part of its dual mandate. The FOMC has ended its bond purchasing program. And, at its December 16, 2015 meeting, the FOMC increased the federal funds rate range by 0.25 percentage points. On December 14, 2016, the FOMC acted again by raising the Fed Funds rate by one-quarter percentage point. The FOMC also used this occasion to express a more aggressive approach to future increase in interest rates. FOMC officials indicated that there could be three more one-quarter percentage point increases in interest rates in 2017. This buttresses the prospect that future increases in the federal funds rate will likely occur.

As shown on page 2 of Schedule PRM-14, forecasts published by Blue Chip on December 1, 2016 indicate that the yields on long-term Treasury bonds are expected to be in the range of 2.8% to 3.4% during the next six quarters. The longer-term forecasts described previously show that the yields on 30-year Treasury bonds will average 4.2% from 2018 through 2022 and 4.5% from 2023 to 2027. For the reasons explained previously, forecasts of interest rates should be emphasized at this time in selecting the risk-free rate of return in CAPM. Hence, I have used a 3.50% risk-free rate of return for CAPM purposes, which considers the Blue Chip forecasts.

Q. What market premium have you used in your CAPM analysis and explain how it was derived?

A. I used a market premium of 7.67%. As shown in the lower panel of data presented on page 2 of Schedule PRM-14, the market premium is derived from historical data and the Value Line and S&P 500 returns. For the historically based market premium, I have used the arithmetic mean obtained from the data presented on page 1 of Schedule PRM-13. As shown on Schedule PRM-13, the market return was 11.97% on large stocks during periods of low interest rates. During those periods, the yield on long-term government bonds was 2.97% when interest rates were low. As I previously described, interest rates are forecast to trend upward in the future. To recognize that trend, I have given weight to the average returns and yields that existed across all interest rate levels. As such, I carried over to page 2 of Schedule PRM-14 the average large common stock returns of 11.96% (11.97% + 11.95% = 23.92% ÷ 2) and the average yield on long-term government bonds of 4.03% (2.97% + 5.09% = 8.06% ÷ 2). These financial returns rest between those experienced during periods of low interest rates and those experienced across all levels of interest rates. The resulting market premium is 7.93% (11.96% - 4.03%) based on historical data, as shown on page 2 of Schedule 14. For the forecast returns, I calculated a 10.98% total market return from the Value Line data and a DCF return of 10.83% for the S&P 500. With the average forecast return of 10.91% (10.98% + 10.83% = 21.81% ÷ 2), I calculated a market premium of 7.41% (10.91% - 3.50%) using forecast data. The market premium applicable to the CAPM derived from these sources equals 7.67% (7.41% + 7.93% = 15.34% ÷ 2).

Q. Are adjustments to the CAPM necessary to fully reflect the rate of return on common equity?

A. Yes. The technical literature supports an adjustment relating to the size of the company or portfolio for which the calculation is performed. As the size of a company decreases, its risk and required return increases. Moreover, in his discussion of the cost of capital, Professor Brigham has indicated that smaller companies have higher capital costs than otherwise similar but larger companies.[9] Also, the Fama/French study (see "The Cross-Section of Expected Stock Returns"; The Journal of Finance, June 1992) established that the size of a company helps explain stock returns. In an October 15, 1995 article in Public Utility Fortnightly, entitled “Equity and the Small-Stock Effect,” it was demonstrated that the CAPM could understate the cost of equity significantly according to a company’s size. Indeed, it was demonstrated in the SBBI Yearbook that the returns for stocks in lower deciles (i.e., smaller stocks) were in excess of those shown by the simple CAPM. In this regard, the Gas Group has a market-based average equity capitalization of $2,520 million. The mid-cap adjustment of 1.00%, as revealed on page 3 of Schedule PRM-14, is warranted at a minimum.

Q. What does your CAPM analysis show?

A. Using the 3.50% risk-free rate of return, the leverage adjusted beta of 0.85 for the Gas Group, the 7.67% market premium, the 1.00% size adjustment, and flotation cost adjustment, the cost of equity derived is 11.17% (including flotation costs) as indicated below:

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[9] See Fundamentals of Financial Management, Fifth Edition, at 623.

	Rf	+	*ß*	x (	*Rm-Rf*	) +	*size*	=	*k*	+	*flot.*	=	*K*
Gas Group	3.50%	+	0.85	x (	7.67%	) +	1.00%	=	11.02%	+	0.15%	=	11.17%

COMPARABLE EARNINGS APPROACH

Q. Generally speaking, what is the Comparable Earnings approach?

A. The Comparable Earnings approach estimates a fair return on equity by comparing returns realized by non-regulated companies to returns that a public utility with similar risks characteristics would need to realize in order to compete for capital. Because regulation is a substitute for competitively determined prices, the returns realized by non-regulated companies with comparable risks to a public utility provide useful insight into investor expectations for public utility returns. The companies selected for the Comparable Earnings approach should be companies whose prices are not subject to cost-based price ceilings (i.e., non-regulated companies) so that circularity is avoided.

There are two avenues available to implement the Comparable Earnings approach. One method involves the selection of another industry (or industries) with comparable risks to the public utility in question, and the results for all companies within that industry serve as a benchmark. The second approach requires the selection of parameters that represent similar risk traits for the public utility and the comparable risk companies. Using this approach, the business lines of the comparable companies become unimportant. The latter approach is preferable with the further qualification that the comparable risk companies exclude regulated companies in order to avoid the circular reasoning implicit in the use of the achieved earnings/book ratios of other regulated firms. The United States Supreme Court has held that:

> A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties. Bluefield Water Works vs. Public Service Commission, 262 U.S. 668 (1923).

It is important to identify the returns earned by companies that compete for capital with a public utility. This can be accomplished by analyzing the returns of non-regulated companies that are subject to the competitive forces of the marketplace.

Q. Did you compare the results of your DCF and CAPM analyses to the results indicated by a Comparable Earnings approach?

A. Yes. I selected companies from The Value Line Investment Survey for Windows that have six categories of comparability designed to reflect the risk of the Gas Group. These screening criteria were based upon the range as defined by the rankings of the companies in the Gas Group. The items considered were: Timeliness Rank, Safety Rank, Financial Strength, Price Stability, Value Line betas, and Technical Rank. The definition for these parameters is provided on page 3 of Schedule PRM-15. The identities of the companies comprising the Comparable

Earnings group and their associated rankings within the ranges are identified on page 1 of Schedule PRM-15.

Value Line data was relied upon because it provides a comprehensive basis for evaluating the risks of the comparable companies. As to the returns calculated by Value Line for these companies, there is some downward bias in the figures shown on page 2 of Schedule PRM-15, because Value Line computes the returns on year-end rather than average book value. If average book values had been employed, the rates of return would have been slightly higher. Nevertheless, these are the returns considered by investors when taking positions in these stocks. Because many of the comparability factors, as well as the published returns, are used by investors in selecting stocks, and the fact that investors rely on the Value Line service to gauge returns, it is an appropriate database for measuring comparable return opportunities.

Q. What data did you consider in your Comparable Earnings analysis?

A. I used both historical realized returns and forecasted returns for non-utility companies. As noted previously, I have not used returns for utility companies in order to avoid the circularity that arises from using regulatory-influenced returns to determine a regulated return. It is appropriate to consider a relatively long measurement period in the Comparable Earnings approach in order to cover conditions over an entire business cycle. A ten-year period (five historical years and five projected years) is sufficient to cover an average business cycle. Unlike the DCF and CAPM, the results of the Comparable Earnings method can be applied directly to the book value capitalization. In other words, the Comparable Earnings approach does not contain the potential misspecification contained in market models when the market capitalization and book value capitalization diverge significantly. A point of demarcation was chosen to eliminate the results of highly profitable enterprises, which the Bluefield case stated were not the type of returns that a utility was entitled to earn. For this purpose, I used 20% as the point where those returns could be viewed as highly profitable and should be excluded from the Comparable Earnings approach. The average historical rate of return on book common equity was 11.3% using only the returns that were less than 20%, as shown on page 2 of Schedule PRM-15. The average forecasted rate of return as published by Value Line is 11.1% also using values less than 20%, as provided on page 2 of Schedule 15. Using the average of these data my Comparable Earnings result is 11.20%, as shown on page 2 of Schedule PRM-1.

CONCLUSION

Q. What is your conclusion regarding the Company's cost of common equity?

A. Based upon the application of a variety of methods and models described previously, it is my opinion that a reasonable cost of common equity for the Company is 11.00%. My cost of equity determination is based on a range of results and should be considered in the context of the Company's risk characteristics, as well as the general condition of the capital markets. It is essential that the Board employ a variety of techniques to measure the Company's cost of equity because of the limitations/infirmities that are inherent in each method. It is also imperative that the Board acknowledge the specific risks of SJG, including its service territory that is suffering under the numerous closures of the casinos in Atlantic City, and the industrial customer base along the Delaware River corridor, and not adopt a "one-size-fits-all" approach to set the cost of capital for SJG.

Q. Does this complete your direct testimony?

A. Yes. However, I reserve the right to supplement my testimony, if necessary, and to respond to witnesses presented by other parties.

APPENDIX A TO DIRECT TESTIMONY OF PAUL R. MOUL

EDUCATIONAL BACKGROUND, BUSINESS EXPERIENCE AND QUALIFICATIONS

I was awarded a degree of Bachelor of Science in Business Administration by Drexel University in 1971. While at Drexel, I participated in the Cooperative Education Program which included employment, for one year, with American Water Works Service Company, Inc., as an internal auditor, where I was involved in the audits of several operating water companies of the American Water Works System and participated in the preparation of annual reports to regulatory agencies and assisted in other general accounting matters.

Upon graduation from Drexel University, I was employed by American Water Works Service Company, Inc., in the Eastern Regional Treasury Department where my duties included preparation of rate case exhibits for submission to regulatory agencies, as well as responsibility for various treasury functions of the thirteen New England operating subsidiaries.

In 1973, I joined the Municipal Financial Services Department of Betz Environmental Engineers, a consulting engineering firm, where I specialized in financial studies for municipal water and wastewater systems.

In 1974, I joined Associated Utility Services, Inc., now known as AUS Consultants. I held various positions with the Utility Services Group of AUS Consultants, concluding my employment there as a Senior Vice President.

In 1994, I formed P. Moul & Associates, an independent financial and regulatory consulting firm. In my capacity as Managing Consultant and for the past forty-two years, I have continuously studied the rate of return requirements for cost of service-regulated firms. In this regard, I have supervised the preparation of rate of return studies, which were employed, in connection with my testimony and in the past for other individuals. I have presented direct testimony on the subject of fair rate of return, evaluated rate of return testimony of other witnesses, and presented rebuttal testimony.

My studies and prepared direct testimony have been presented before thirty-seven (37) federal, state and municipal regulatory commissions, consisting of: the Federal Energy Regulatory Commission; state public utility commissions in Alabama, Alaska, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Virginia, West Virginia, Wisconsin, and the Philadelphia Gas Commission, and the Texas Commission on Environmental Quality. My testimony has been offered in over 300 rate cases involving electric power, natural gas distribution and transmission, resource recovery, solid waste collection and disposal, telephone, wastewater, and water service utility companies. While my testimony has involved principally fair rate of return and financial matters, I have also testified on capital allocations, capital recovery, cash working capital, income taxes, factoring of accounts receivable, and take-or-pay expense recovery. My testimony has been offered on behalf of municipal and investor-owned public utilities and for the staff of a regulatory commission. I have also testified at an Executive Session of the State of New Jersey Commission of Investigation concerning the BPU regulation of solid waste collection and disposal.

I was a co-author of a verified statement submitted to the Interstate Commerce Commission concerning the 1983 Railroad Cost of Capital (Ex Parte No. 452). I was also co-author of comments submitted to the Federal Energy Regulatory Commission regarding the Generic Determination of Rate of Return on Common Equity for Public Utilities in 1985, 1986 and 1987 (Docket Nos. RM85-19-000, RM86-12-000, RM87-35-000 and RM88-25-000). Further, I have been the consultant to the New York Chapter of the National Association of Water Companies, which represented the water utility group in the Proceeding on Motion of the Commission to Consider Financial Regulatory Policies for New York Utilities (Case 91-M-0509). I have also submitted comments to the Federal Energy Regulatory Commission in its Notice of Proposed Rulemaking (Docket No. RM99-2-000) concerning Regional Transmission Organizations and on behalf of the Edison Electric Institute in its intervention in the case of Southern California Edison Company (Docket No. ER97-2355-000). Also, I was a member of the panel of participants at the Technical Conference in Docket No. PL07-2 on the Composition of Proxy Groups for Determining Gas and Oil Pipeline Return on Equity.

In late 1978, I arranged for the private placement of bonds on behalf of an investor-owned public utility. I have assisted in the preparation of a report to the Delaware Public Service Commission relative to the operations of the Lincoln and Ellendale Electric Company. I was also engaged by the Delaware P.S.C. to review and report on the proposed financing and disposition of certain assets of Sussex Shores Water Company (P.S.C. Docket Nos. 24-79 and 47-79). I was a co-author of a Report on Proposed Mandatory Solid Waste Collection Ordinance prepared for the Board of County Commissioners of Collier County, Florida.

APPENDIX A TO DIRECT TESTIMONY OF PAUL R. MOUL

I have been a consultant to the Bucks County Water and Sewer Authority concerning rates and charges for wholesale contract service with the City of Philadelphia. My municipal consulting experience also included an assignment for Baltimore County, Maryland, regarding the City/County Water Agreement for Metropolitan District customers (Circuit Court for Baltimore County in Case 34/153/87-CSP-2636).

STATE OF NEW JERSEY

BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF

SOUTH JERSEY GAS COMPANY

FOR APPROVAL OF INCREASED BASE TARIFF RATES AND CHARGES
FOR GAS SERVICE AND OTHER TARIFF REVISIONS

BPU Docket No.

OAL Docket No.

Exhibit to Accompany the

Direct Testimony

of

Paul R. Moul, Managing Consultant
P. Moul & Associates

Concerning

Cost of Equity and Fair Rate of Return

South Jersey Gas Company
Index of Schedules

South Jersey Gas Company
Proposed Rate of Return
Projected at August 31, 2017

Type of Capital	Ratios	Cost Rate	Weighted Cost Rate
Long-term Debt	45.76%	3.70%	1.69%
Common Equity	54.24%	11.00%	5.97%
Total	100.00%		7.66%

Indicated levels of fixed charge coverage assuming that the Company could actually achieve its proposed rate of return:

Pre-tax coverage of interest expense based upon a 40.850% composite federal and state income tax rate (11.78% ÷ 1.69%)	6.97 x
Post-tax coverage of interest expense (7.66% ÷ 1.69%)	4.53 x

South Jersey Gas Company
Cost of Equity
as of October 31, 2016

Market Models (DCF, RP & CAPM)

Discounted Cash Flow (DCF)					D_1/P_0 [1]	+	g [2]	+	lev. [3]	=	k	x	flot. [4]	=	K
Gas Group					2.86%	+	6.25%	+	0.92%	=	10.03%	x	1.015	=	10.18%
Risk Premium (RP)							I [4]	+	RP [6]	=	k	+	flot.	=	K
Gas Group							4.75%	+	6.50%	=	11.25%	+	0.15%	=	11.40%
Capital Asset Pricing Model (CAPM)	Rf [7]	+	ß [8]	x (	Rm-Rf [9]	) +	size [10]	=	k	+	flot.	=	K
Gas Group	3.50%	+	0.85	x (	7.67%	) +	1.00%	=	11.02%	+	0.15%	=	11.17%

Book Value Method

Comparable Earnings (CE) [11]	***Historical***	***Forecast***	**Average**
Comparable Earnings Group	11.3%	11.1%	11.20%

References:
(1) Schedule 07
(2) Schedule 09
(3) Schedule 10
(4) Schedule 11
(5) A-rated public utility bond yield comprised of a 3.50% risk-free rate of return (Schedule 14 page 2) and a yield spread of 1.25% (Schedule 12 page 3)
(6) Schedule 13
(7) Schedule 14 page 2
(8) Schedule 10
(9) Schedule 14 page 2
(10) Schedule 14 page 3
(11) Schedule 15 pages 2

South Jersey Gas Company
Capitalization and Financial Statistics
2011-2015, Inclusive

	2015	2014	2013	2012	2011	Average
			(Millions of Dollars)			
Amount of Capital Employed						
Permanent Capital	$ 1,319.9	$ 1,223.6	$ 1,086.0	$ 971.4	$ 829.2	
Short-Term Debt	$ 134.4	$ 101.4	$ 65.5	$ 102.1	$ 126.6	
Total Capital	$ 1,454.3	$ 1,325.0	$ 1,151.5	$ 1,073.5	$ 955.8	
Capital Structure Ratios						
Based on Permanent Capital:						
Long-Term Debt	46.4%	44.4%	43.7%	46.3%	44.0%	45.0%
Common Equity [1]	53.6%	55.6%	56.3%	53.7%	56.0%	55.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Based on Total Capital:						
Total Debt incl. Short Term	51.3%	48.6%	46.9%	51.4%	51.4%	49.9%
Common Equity [1]	48.7%	51.4%	53.1%	48.6%	48.6%	50.1%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Rate of Return on Book Common Equity	9.6%	10.3%	11.0%	11.8%	11.9%	10.9%
Operating Ratio [2]	77.6%	77.3%	76.3%	75.9%	75.1%	76.4%
Coverage incl. AFUDC [3]						
Pre-tax: All Interest Charges	5.56 x	5.55 x	5.68 x	5.86 x	5.35 x	5.60 x
Post-tax: All Interest Charges	3.93 x	3.99 x	4.00 x	4.08 x	3.64 x	3.93 x
Coverage excl. AFUDC [3]						
Pre-tax: All Interest Charges	5.44 x	5.35 x	5.28 x	5.51 x	5.30 x	5.38 x
Post-tax: All Interest Charges	3.81 x	3.79 x	3.60 x	3.73 x	3.59 x	3.70 x
Quality of Earnings & Cash Flow						
AFC/Income Avail. for Common Equity	4.2%	6.6%	13.2%	11.2%	2.1%	7.5%
Effective Income Tax Rate	35.7%	34.4%	35.9%	36.7%	39.3%	36.4%
Internal Cash Generation/Construction [4]	62.6%	55.1%	99.1%	80.9%	42.4%	68.0%
Gross Cash Flow/ Avg. Total Debt [5]	24.6%	21.7%	29.3%	24.2%	15.5%	23.1%
Gross Cash Flow Interest Coverage [6]	8.38 x	6.57 x	8.30 x	7.31 x	4.65 x	7.04 x

See Page 2 for Notes.

South Jersey Gas Company
Capitalization and Financial Statistics
2011-2015, Inclusive

Notes:

(1) Excluding Accumulated Other Comprehensive Income ("OCI") from the equity account.

(2) Total operating expenses, maintenance, depreciation and taxes other than income as a percentage of operating revenues.

(3) Coverage calculations represent the number of times available earnings, both including and excluding AFUDC (allowance for funds used during construction) as reported in its entirety, cover fixed charges.

(4) Internal cash generation/gross construction is the percentage of gross construction expenditures provided by internally-generated funds from operations after payment of all cash dividends divided by gross construction expenditures.

(5) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less AFUDC) as a percentage of average total debt.

(6) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less total AFUDC) plus interest charges, divided by interest charges.

Source of Information: Standard & Poor's Utility COMPUSTAT

Gas Group
Capitalization and Financial Statistics [1]
2011-2015, Inclusive

	2015	2014	2013	2012	2011	Average
			(Millions of Dollars)			
Amount of Capital Employed						
Permanent Capital	$ 2,581.5	$ 2,452.5	$ 2,082.4	$ 1,811.1	$ 1,747.1	
Short-Term Debt	$ 260.9	$ 226.5	$ 228.6	$ 216.1	$ 118.6	
Total Capital	$ 2,842.4	$ 2,679.0	$ 2,311.0	$ 2,027.2	$ 1,865.7	
Market-Based Financial Ratios						
Price-Earnings Multiple	19 x	19 x	19 x	17 x	16 x	18 x
Market/Book Ratio	198.4%	192.3%	178.9%	177.4%	179.3%	185.3%
Dividend Yield	3.1%	3.2%	3.5%	3.6%	3.6%	3.4%
Dividend Payout Ratio	60.2%	63.6%	68.8%	59.7%	57.6%	62.0%
Capital Structure Ratios						
Based on Permanent Capital:						
Long-Term Debt	44.3%	44.9%	42.7%	40.7%	41.2%	42.8%
Preferred Stock	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Common Equity [2]	55.5%	54.9%	57.1%	59.1%	58.6%	57.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Based on Total Capital:						
Total Debt incl. Short Term	51.0%	51.2%	50.1%	47.4%	45.9%	49.1%
Preferred Stock	0.2%	0.1%	0.1%	0.2%	0.2%	0.2%
Common Equity [2]	48.8%	48.7%	49.8%	52.4%	53.9%	50.7%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Rate of Return on Book Common Equity [2]	10.6%	10.1%	9.5%	10.5%	10.9%	10.3%
Operating Ratio [3]	86.0%	87.9%	88.5%	87.2%	88.8%	87.7%
Coverage incl. AFUDC [4]						
Pre-tax: All Interest Charges	5.25 x	5.03 x	4.70 x	4.97 x	5.01 x	4.99 x
Post-tax: All Interest Charges	3.90 x	3.75 x	3.62 x	3.79 x	3.67 x	3.75 x
Overall Coverage: All Int. & Pfd. Div.	3.89 x	3.74 x	3.61 x	3.77 x	3.65 x	3.73 x
Coverage excl. AFUDC [4]						
Pre-tax: All Interest Charges	5.19 x	4.99 x	4.64 x	4.92 x	4.97 x	4.94 x
Post-tax: All Interest Charges	3.85 x	3.72 x	3.55 x	3.74 x	3.64 x	3.70 x
Overall Coverage: All Int. & Pfd. Div.	3.84 x	3.70 x	3.54 x	3.72 x	3.62 x	3.68 x
Quality of Earnings & Cash Flow						
AFC/Income Avail. for Common Equity	1.5%	1.2%	2.2%	1.6%	1.0%	1.5%
Effective Income Tax Rate	31.3%	31.3%	26.5%	30.1%	34.2%	30.7%
Internal Cash Generation/Construction [5]	71.8%	86.2%	66.4%	72.7%	99.5%	79.3%
Gross Cash Flow/ Avg. Total Debt [6]	25.6%	26.9%	24.6%	28.8%	30.1%	27.2%
Gross Cash Flow Interest Coverage [7]	7.72 x	7.97 x	7.07 x	7.02 x	6.92 x	7.34 x
Common Dividend Coverage [8]	4.56 x	4.78 x	4.17 x	4.33 x	4.52 x	4.47 x

See Page 2 for Notes.

Gas Group
Capitalization and Financial Statistics
2011-2015, Inclusive

Notes:
(1) All capitalization and financial statistics for the group are the arithmetic average of the achieved results for each individual company in the group.
(2) Excluding Accumulated Other Comprehensive Income ("OCI") from the equity account.
(3) Total operating expenses, maintenance, depreciation and taxes other than income taxes as a percent of operating revenues.
(4) Coverage calculations represent the number of times available earnings, both including and excluding AFUDC (allowance for funds used during construction) as reported in its entirety, cover fixed charges.
(5) Internal cash generation/gross construction is the percentage of gross construction expenditures provided by internally-generated funds from operations after payment of all cash dividends divided by gross construction expenditures.
(6) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less total AFUDC) plus interest charges, divided by interest charges.
(7) Gross Cash Flow plus interest charges divided by interest charges.
(8) Common dividend coverage is the relationship of internally-generated funds from operations after payment of preferred stock dividends to common dividends paid.

Basis of Selection:
The Gas Group includes companies that are contained in The Value Line Investment Survey within the industry group "Natural Gas Utility," they are not currently the target of a publicly-announced merger or acquisition, and after eliminating NiSource due to its electric and natural gas pipeline/storage operations and UGI Corp. due to its highly diversified businesses.

CPK	Chesapeake Utilities Corp.				A	0.60
NJR	New Jersey Resources Corp.	Aa2	A	NYSE	B+	0.80
NWN	Northwest Natural Gas Co.	A3	A+	NYSE	B+	0.65
SJI	South Jersey Industries, Inc.	A2	BBB+	NYSE	A-	0.80
SWX	Southwest Gas Corporation	A3	BBB+	NYSE	A-	0.75
SR	Spire Inc.	A3	A-	NYSE	B+	0.70
WGL	WGL Holdings, Inc.	A1	A+	NYSE	B+	0.75
	Average	A2	A		B+	0.73

Note: Ratings are those of utility subsidiaries

Source of Information: Standard & Poor's Utility COMPUSTAT
Moody's Investors Service
Standard & Poor's Corporation

Standard & Poor's Public Utilities
Capitalization and Financial Statistics [1]
2011-2015, Inclusive

	2015	2014	2013 (Millions of Dollars)	2012	2011	Average
Amount of Capital Employed						
Permanent Capital	$ 28,468.3	$ 27,468.3	$ 25,958.6	$ 25,040.3	$ 21,705.6	
Short-Term Debt	$ 930.9	$ 963.9	$ 764.3	$ 659.0	$ 530.9	
Total Capital	$ 29,399.2	$ 28,432.2	$ 26,722.9	$ 25,699.3	$ 22,236.5	
Market-Based Financial Ratios						
Price-Earnings Multiple	20 x	20 x	19 x	16 x	14 x	18 x
Market/Book Ratio	179.3%	179.1%	164.4%	155.6%	147.3%	165.1%
Dividend Yield	3.7%	3.6%	3.9%	4.1%	4.3%	3.9%
Dividend Payout Ratio	70.0%	73.2%	73.3%	64.2%	60.2%	68.2%
Capital Structure Ratios						
Based on Permanent Captial:						
Long-Term Debt	54.9%	53.3%	53.3%	53.7%	53.7%	53.8%
Preferred Stock	1.5%	1.3%	1.1%	1.0%	0.9%	1.2%
Common Equity [2]	43.6%	45.4%	45.7%	45.3%	45.4%	45.1%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Based on Total Capital:						
Total Debt incl. Short Term	56.3%	55.0%	54.7%	54.9%	54.9%	55.1%
Preferred Stock	1.5%	1.3%	1.0%	1.0%	0.9%	1.1%
Common Equity [2]	42.2%	43.7%	44.3%	44.2%	44.3%	43.7%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Rate of Return on Book Common Equity [2]	9.2%	9.6%	9.0%	9.3%	10.5%	9.5%
Operating Ratio [3]	78.9%	81.2%	80.7%	80.7%	81.2%	80.5%
Coverage incl. AFUDC [4]						
Pre-tax: All Interest Charges	3.41 x	3.56 x	3.22 x	2.90 x	3.29 x	3.28 x
Post-tax: All Interest Charges	2.65 x	2.71 x	2.48 x	2.35 x	2.59 x	2.56 x
Overall Coverage: All Int. & Pfd. Div.	2.62 x	2.67 x	2.45 x	2.31 x	2.56 x	2.52 x
Coverage excl. AFUDC [4]						
Pre-tax: All Interest Charges	3.31 x	3.46 x	3.13 x	2.80 x	3.19 x	3.18 x
Post-tax: All Interest Charges	2.55 x	2.62 x	2.39 x	2.25 x	2.48 x	2.46 x
Overall Coverage: All Int. & Pfd. Div.	2.52 x	2.58 x	2.36 x	2.21 x	2.46 x	2.43 x
Quality of Earnings & Cash Flow						
AFC/Income Avail. for Common Equity	6.0%	7.1%	6.4%	7.0%	6.0%	6.5%
Effective Income Tax Rate	31.5%	28.6%	33.2%	30.7%	32.4%	31.3%
Internal Cash Generation/Construction [5]	70.6%	88.7%	83.2%	76.5%	86.1%	81.0%
Gross Cash Flow/ Avg. Total Debt [6]	20.0%	22.8%	22.4%	21.8%	22.6%	21.9%
Gross Cash Flow Interest Coverage [7]	5.39 x	5.66 x	5.46 x	5.44 x	5.02 x	5.39 x
Common Dividend Coverage [8]	4.23 x	4.80 x	4.41 x	4.31 x	4.52 x	4.45 x

See Page 2 for Notes.

Standard & Poor's Public Utilities
Capitalization and Financial Statistics
2011-2015, Inclusive

Notes:

(1) All capitalization and financial statistics for the group are the arithmetic average of the achieved results for each individual company in the group.
(2) Excluding Accumulated Other Comprehensive Income (“OCI”) from the equity account
(3) Total operating expenses, maintenance, depreciation and taxes other than income taxes as a percent of operating revenues.
(4) Coverage calculations represent the number of times available earnings, both including and excluding AFUDC (allowance for funds used during construction) as reported in its entirety, cover fixed charges.
(5) Internal cash generation/gross construction is the percentage of gross construction expenditures provided by internally-generated funds from operations after payment of all cash dividends divided by gross construction expenditures.
(6) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less total AFUDC) as a percentage of average total debt.
(7) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less total AFUDC) plus interest charges, divided by interest charges.
(8) Common dividend coverage is the relationship of internally-generated funds from operations after payment of preferred stock dividends to common dividends paid.

Source of Information: Standard & Poor’s Utility COMPUSTAT
Annual Reports to Shareholders

Standard & Poor's Public Utilities
Company Identities

	Ticker	Credit Rating [1] Moody's	S&P	Common Stock Traded	S&P Stock Ranking	Value Line Beta
AGL Resources Inc.	GAS	A2	BBB+	NYSE	A	0.60
Ameren Corporation	AEE	Baa1	BBB+	NYSE	B	0.75
American Electric Power	AEP	Baa1	BBB	NYSE	B	0.70
CMS Energy	CMS	A3	BBB	NYSE	B	0.75
CenterPoint Energy	CNP	A3	A-	NYSE	B	0.85
Consolidated Edison	ED	A2	A-	NYSE	B+	0.60
DTE Energy Co.	DTE	A2	BBB+	NYSE	B+	0.75
Dominion Resources	D	A2	A-	NYSE	B+	0.70
Duke Energy	DUK	A1	BBB+	NYSE	B	0.65
Edison Int'l	EIX	A2	BBB+	NYSE	B	0.70
Entergy Corp.	ETR	Baa1	BBB	NYSE	A	0.70
EQT Corp.	EQT	Baa3	BBB	NYSE	B+	1.20
Exelon Corp.	EXC	A2	BBB	NYSE	B+	0.70
Eversource	NU	Baa1	A-	NYSE	B	0.75
FirstEnergy Corp.	FE	Baa2	BBB-	NYSE	B+	0.70
NextEra Energy Inc.	NEE	A1	A-	NYSE	A	0.75
NiSource Inc.	NI	Baa1	BBB-	NYSE	B	NMF
NRG Energy Inc.	NRG	Ba3	BB-	NYSE	B	1.00
ONEOK, Inc.	OKE	Baa3	BB+	NYSE	A-	0.85
PG&E Corp.	PCG	A3	BBB	NYSE	B	0.65
PPL Corp.	PPL	Baa1	BBB	NYSE	B+	0.70
Pinnacle West Capital	PNW	A3	A-	NYSE	B	0.75
Public Serv. Enterprise Inc.	PEG	A2	BBB+	NYSE	B+	0.75
SCANA Corp.	SCG	Baa2	BBB+	NYSE	A-	0.75
Sempra Energy	SRE	A1	A	NYSE	B+	0.80
Southern Co.	SO	A3	A	NYSE	A-	0.60
TECO Energy	TE	A2	BBB+	NYSE	B	0.85
Wisconsin Energy Corp.	WEC	A1	A-	NYSE	A	0.70
Xcel Energy Inc	XEL	A2	A-	NYSE	B+	0.65
Average for S&P Utilities		A3	BBB+		B+	0.75

Note: [1] Ratings are those of utility subsidiaries

Source of Information: Moody's Investors Service
Standard & Poor's Corporation
Standard & Poor's Stock Guide
Value Line Investment Survey for Windows

South Jersey Gas Company
Capitalization and Related Capital Structure Ratios
Actual at November 30, 2016 and Projected at August 31, 2017

	Actual at November 30, 2016			Projected at August 31, 2017		
		Capital Structure Ratios			Capital Structure Ratios	
	Amount Outstanding	Incl. S-T Debt	Excl. S-T Debt	Amount Outstanding	Incl. S-T Debt	Excl. S-T Debt
Long-Term Debt	$ 645,215,715	40.69%	43.38%	$ 791,367,710 [2]	45.76%	45.76%
Common Equity						
Common Stock	5,847,848			5,847,848		
Other Paid-In Capital	315,826,623			355,826,623 [3]		
Retained Earnings [1]	520,515,918			576,399,918 [4]		
Total Common Equity	842,190,389	53.12%	56.62%	938,074,389	54.24%	54.24%
Total Permanent Capital	1,487,406,104	93.81%	100.00%	1,729,442,099	100.00%	100.00%
Short-Term Debt	98,100,000	6.19%		-	0.00%	
Total Capital Employed	$ 1,585,506,104	100.00%		$ 1,729,442,099	100.00%	

Notes:

[1] Excludes Accumulated Other Comprehensive Income (Loss) of $(12,791,770).

[2] Reflects maturities and issuance of:

7/15/2017	Maturity	4.66%	$ (15,000,000)
12/31/2016	Sinking fund	3.63%	$ (909,000)
6/5/2017	Maturity	1.66%	(200,000,000)
1/19/2017	New issue	2.25%	162,000,000
1/19/2017	New issue	3.00%	200,000,000
Amort. of Call Prem. on Reacq. Debt - 9 months			$ 60,995
Net change			$ 146,151,995

[3] Reflects common equity infusion of:

1/31/2017	$ 40,000,000

[4] Reflects change in retained earnings consisting of net income: $ 55,884,000

Source of Information: Company provided data

South Jersey Gas Company
Calculation of the Embedded Cost of Debt
Actual at November 30, 2016

Series	Date of Maturity	Principal Amount Outstanding	Percent to Total	Effective Cost Rate [1]	Weighted Cost Rate
7.125%	10/22/18	$ 20,000,000	3.10%	7.31%	0.23%
7.970%	07/15/18	10,000,000	1.55%	8.29%	0.13%
4.657%	07/15/17	15,000,000	2.32%	4.78%	0.11%
5.550%	07/15/33	32,000,000	4.95%	5.66%	0.28%
6.213%	08/01/34	10,000,000	1.55%	6.29%	0.10%
5.450%	09/14/35	10,000,000	1.55%	7.16%	0.11%
4.840%	03/01/26	15,000,000	2.32%	4.98%	0.12%
5.587%	08/01/19	10,000,000	1.55%	5.69%	0.09%
3.430%	04/01/36	24,900,000	3.86%	3.76%	0.14%
4.930%	06/30/26	45,000,000	6.97%	5.02%	0.35%
3.630%	12/31/25	9,091,000	1.41%	3.70%	0.05%
4.030%	12/31/27	45,000,000	6.97%	4.10%	0.29%
3.740%	04/01/32	35,000,000	5.42%	3.89%	0.21%
3.000%	09/20/24	50,000,000	7.74%	3.08%	0.24%
3.030%	11/30/24	35,000,000	5.42%	3.10%	0.17%
4.010%	09/20/33	50,000,000	7.74%	4.07%	0.32%
4.230%	01/31/34	30,000,000	4.64%	4.29%	0.20%
1.660%	06/05/17	200,000,000	30.96%	1.73%	0.54%
Total long-term debt		$ 645,991,000	100.00%		3.68%
Adjustment for Calls		(775,285)			
Long-Term Debt		$ 645,215,715			
Annualized Co	Interest payat	$ 23,772,469			
Amortization of Call on Reacquired Debt		85,525 [2]			
Total Cost		$ 23,857,994			3.70%

Notes: [1] As calculated on page 3 of this schedule.
[2] Annual amortization of call premiums on debt redeemed:

4.66% MTN due 7/17	$ 37,784
8.6% Debenture due 1/10	7,741
7.70% MTN due 4/27	40,000
Total	$ 85,525

Source of Information: Company provided data

South Jersey Gas Company
Calculation of the Embedded Cost of Debt
Actual at August 31, 2017

Series	Date of Maturity	Principal Amount Outstanding	Percent to Total	Effective Cost Rate [1]	Weighted Cost Rate
7.125%	10/22/18	$ 20,000,000	2.53%	7.31%	0.18%
7.970%	07/15/18	10,000,000	1.26%	8.29%	0.10%
4.657%	07/15/17		0.00%	4.78%	0.00%
5.550%	07/15/33	32,000,000	4.04%	5.66%	0.23%
6.213%	08/01/34	10,000,000	1.26%	6.29%	0.08%
5.450%	09/14/35	10,000,000	1.26%	7.16%	0.09%
4.840%	03/01/26	15,000,000	1.89%	4.98%	0.09%
5.587%	08/01/19	10,000,000	1.26%	5.69%	0.07%
3.430%	04/01/36	24,900,000	3.14%	3.76%	0.12%
4.930%	06/30/26	45,000,000	5.68%	5.02%	0.29%
3.630%	12/31/25	8,182,000	1.03%	3.70%	0.04%
4.030%	12/31/27	45,000,000	5.68%	4.10%	0.23%
3.740%	04/01/32	35,000,000	4.42%	3.89%	0.17%
3.000%	09/20/24	50,000,000	6.31%	3.08%	0.19%
3.030%	11/30/24	35,000,000	4.42%	3.10%	0.14%
4.010%	09/20/33	50,000,000	6.31%	4.07%	0.26%
4.230%	01/31/34	30,000,000	3.79%	4.29%	0.16%
1.660%	06/05/17		0.00%	1.73%	0.00%
2.250%	01/19/20	162,000,000	20.45%	2.34%	0.48%
3.000%	01/19/47	200,000,000	25.25%	3.04%	0.77%
Total long-term debt		$ 792,082,000	100.00%		3.69%
Adjustment for Calls		(714,290)			
Long-Term Debt		$ 791,367,710			
Annualized Co Interest payat		$ 29,227,826			
Amortization of Call on Reacquired Debt		47,741 [2]			
Total Cost		$ 29,275,567			3.70%

Notes: [1] As calculated on page 3 of this schedule.
[2] Annual amortization of call premiums on debt redeemed:

4.66% MTN due 7/17	$ -
8.6% Debenture due 1/10	7,741
7.70% MTN due 4/27	40,000
Total	$ 47,741

Source of Information: Company provided data

South Jersey Gas Company

Calculation of the Effective Cost of Long-Term Debt by Series

Series		Date of Issue		Date of Maturity	Principal Amount Issued	Premium/ Discount & Expense		Net Proceeds	Net Proceeds Ratio	Effective Cost Rate [1]
7.125%		10/21/98		10/22/18	$ 20,000,000	$ 386,837		$ 19,613,163	98.07%	7.31%
7.970%		07/05/00		07/15/18	10,000,000	299,727		9,700,273	97.00%	8.29%
4.657%		07/16/03		07/15/17	15,000,000	180,865		14,819,135	98.79%	4.78%
5.550%		07/16/03		07/15/33	32,000,000	523,600		31,476,400	98.36%	5.66%
6.213%		08/01/04		08/01/34	10,000,000	104,525		9,895,475	98.95%	6.29%
5.450%		09/01/05		09/14/35	10,000,000	2,097,747	(2)	7,902,253	79.02%	7.16%
4.840%		03/01/10		03/01/26	15,000,000	229,341		14,770,659	98.47%	4.98%
5.587%		08/04/04		08/01/19	10,000,000	99,525		9,900,475	99.00%	5.69%
3.430%	(3)	04/20/06		04/01/36	25,000,000	1,491,013		23,508,987	94.04%	3.76%
4.930%		06/30/10		06/30/26	45,000,000	444,956		44,555,044	99.01%	5.02%
3.630%		12/30/10		12/31/25	10,000,000	85,000		9,915,000	99.15%	3.70%
4.030%		12/30/10		12/31/27	45,000,000	385,000		44,615,000	99.14%	4.10%
3.740%		04/02/12		04/01/32	35,000,000	744,389	(4)	34,255,611	97.87%	3.89%
3.000%		09/20/12		09/20/24	50,000,000	388,663		49,611,337	99.22%	3.08%
3.030%		11/30/12		11/30/24	35,000,000	238,965		34,761,035	99.32%	3.10%
4.010%		09/30/13		09/20/33	50,000,000	379,674		49,620,326	99.24%	4.07%
4.230%		01/31/14		01/31/34	30,000,000	242,397		29,757,603	99.19%	4.29%
1.660%	(5)	06/05/14	(6)	06/05/17	200,000,000	395,165		199,604,835	99.80%	1.73%
2.250%	(7)	01/19/17		01/19/20	162,000,000	425,000		161,575,000	99.74%	2.34%
3.000%	(8)	01/19/17		01/19/47	200,000,000	1,400,000		198,600,000	99.30%	3.04%

Notes:
(1) The effective cost for each issue is the yield to maturity using as inputs the average term of issue, coupon rate, and net proceeds ratio.
(2) In addition to the issuance expenses, the costs of the terminated T-locks of $1,206,000 on 7/15/05 and $182,600 on 9/13/05 are included.
(3) In June 2008, SJG used $25.0 million of the revolving credit facility to repurchase the outstanding auction-rate Series A 2006 Bonds, at par. The bonds were remarketed to the public in August 2008 as variable-rate demand bonds, with liquidity support provided by a letter of credit from a commercial bank. The borrowings under the revolving credit facility were repaid at that time. Material terms of the original bonds, such as the 2036 maturity date, floating rate interest reset weekly, and a first mortgage collateral position, remain unchanged. There is an interest rate swap in place which fixes the interest rate at 3.43% payable monthly.
(4) Includes $412,818 of remaining debt issuance costs for the 7.7% MTN that was called.
(5) Interest payable monthly at LIBOR plus a margin of 0.85%. The actual interest cost was 1.66% at November 30, 2016.
(6) Initial draw of $45 million on 6/15/2014, with subsequesnt draws of $14 million on 6/27/2014, $80 million on 09/2/2015, and $61 million on 1/20/2016.
(7) Interest payable monthly at LIBOR plus a margin of 0.85%. The estimated interest cost is based on the Blue Chip Forecast of LIBOR, which is 1.4% for the third quarter of 2017.
(8) $200.0 million Private Placement. Medium Term Notes with a 30-year final maturity, and an average life of 15 years. The net proceeds from the sale of the Notes will repay the $200.0 million syndicated bank term facility that matures in June 2017, and for general corporate purposes. The deal is being lead by 4 agents: Merrill Lynch, Pierce, Fenner & Smith Incorporated, Wells Fargo Securities, LLC, Morgan Stanley & Co. LLC and KeyBanc Capital Markets Inc. The Notes priced in October 2016 at 3%, with the closing for all Notes sold anticipated to occur in January 2017.

Source of Information: Company provided data

Monthly Dividend Yields for
Natural Gas Group
for the Twelve Months Ending October 2016

Company	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	12-Month Average	6-Month Average	3-Month Average
Atmos Energy Corp (ATO)	2.70%	2.67%	2.44%	2.42%	2.27%	2.33%	2.31%	2.07%	2.11%	2.28%	2.26%	2.43%			
Chesapeake Utilities Corp (CPK)	2.17%	2.03%	1.83%	1.85%	1.83%	2.06%	2.12%	1.85%	1.91%	1.92%	2.00%	1.91%			
Spire Inc. (SR)	3.38%	3.31%	3.08%	3.01%	2.90%	3.08%	3.10%	2.77%	2.84%	3.05%	3.08%	3.36%			
New Jersey Resources Corporation (NJR)	3.22%	2.92%	2.74%	2.79%	2.64%	2.70%	2.75%	2.49%	2.75%	3.05%	3.11%	3.01%			
Northwest Natural Gas (NWN)	3.85%	3.72%	3.60%	3.76%	3.49%	3.63%	3.42%	2.90%	2.88%	3.14%	3.13%	3.20%			
South Jersey Industries Inc (SJI)	4.64%	4.50%	4.27%	4.19%	3.71%	3.80%	3.68%	3.34%	3.33%	3.58%	3.58%	3.70%			
Southwest Gas Corp (SWX)	2.89%	2.95%	2.77%	2.66%	2.47%	2.79%	2.60%	2.29%	2.33%	2.58%	2.59%	2.50%			
WGL Holdings Inc (WGL)	3.01%	2.96%	2.78%	2.72%	2.57%	2.88%	3.00%	2.77%	2.76%	3.12%	3.13%	3.10%			
Average	**3.23%**	**3.13%**	**2.94%**	**2.93%**	**2.74%**	**2.91%**	**2.87%**	**2.56%**	**2.61%**	**2.84%**	**2.86%**	**2.90%**	**2.88%**	**2.77%**	**2.87%**

Note: Monthly dividend yields are calculated by dividing the annualized quarterly dividend by the month-end closing stock price adjusted by the fraction of the ex-dividend.

Source of Information: http://performance.morningstar.com/stock/performance-return
http://www.snl.com/interactivex/dividends

Forward-looking Dividend Yield

1/2 Growth	D_0/P_0	(.5g)	D_1/P_0	$K = \frac{D_0(1+g)^0 + D_0(1+g)^0 + D_0(1+g)^1 + D_0(1+g)^1}{P_0} + g$
	2.77%	1.031250	2.86%	
Discrete	D_0/P_0	Adj.	D_1/P_0	$K = \frac{D_0(1+g)^{.25} + D_0(1+g)^{.50} + D_0(1+g)^{.75} + D_0(1+g)^{1.00}}{P_0} + g$
	2.77%	1.038767	2.88%	
Quarterly	D_0/P_0	Adj.	D_1/P_0	$K = \left[\left(1 + \frac{D_0(1+g)^{.25}}{P_0}\right)^4 - 1\right] + g$
	0.6933%	1.015272	2.85%	
Average			2.86%	
Growth rate			6.25%	
K			9.11%	

Historical Growth Rates
Earnings Per Share, Dividends Per Share,
Book Value Per Share, and Cash Flow Per Share

Gas Group	Earnings per Share Value Line 5 Year	Earnings per Share Value Line 10 Year	Dividends per Share Value Line 5 Year	Dividends per Share Value Line 10 Year	Book Value per Share Value Line 5 Year	Book Value per Share Value Line 10 Year	Cash Flow per Share Value Line 5 Year	Cash Flow per Share Value Line 10 Year
Atmos Energy Corp.	7.00%	5.50%	2.50%	2.00%	5.00%	5.00%	4.50%	5.00%
Chesapeake Utilities	10.00%	8.00%	5.00%	3.50%	8.00%	9.00%	11.50%	7.00%
New Jersey Resources Corp.	6.50%	7.50%	7.00%	7.00%	6.50%	8.00%	7.50%	6.50%
Northwest Natural Gas	-5.00%	1.00%	3.00%	3.50%	2.50%	3.00%	-1.00%	2.00%
South Jersey Industries, Inc.	4.00%	7.00%	9.50%	9.00%	8.50%	8.00%	6.00%	7.50%
Southwest Gas Corporation	10.00%	8.50%	9.00%	6.00%	5.50%	5.50%	6.50%	5.00%
Spire, Inc.	-1.00%	3.00%	3.00%	2.50%	8.00%	7.50%	0.50%	4.00%
WGL Holdings, Inc.	2.50%	2.50%	3.50%	3.00%	2.50%	4.00%	2.50%	2.00%
Average	4.25%	5.38%	5.31%	4.56%	5.81%	6.25%	4.75%	4.88%

Source of Information: Value Line Investment Survey, September 2, 2016

Analysts' Five-Year Projected Growth Rates
Earnings Per Share, Dividends Per Share,
Book Value Per Share, and Cash Flow Per Share

Gas Group	I/B/E/S First Call	Zacks	Morningstar	SNL	Value Line Earnings Per Share	Value Line Dividends Per Share	Value Line Book Value Per Share	Value Line Cash Flow Per Share	Value Line Percent Retained to Common Equity
Atmos Energy Corp.	7.30%	7.20%	6.70%	6.90%	6.50%	6.50%	3.50%	5.00%	5.50%
Chesapeake Utilities	3.00%	NA	-	NA	8.50%	6.00%	6.50%	7.00%	8.00%
New Jersey Resources Corp.	6.00%	6.50%	2.90%	6.00%	1.00%	3.00%	6.50%	1.50%	4.50%
Northwest Natural Gas	N/A	4.00%	-	4.00%	7.00%	2.00%	2.50%	4.00%	3.50%
South Jersey Industries, Inc.	6.00%	10.00%	10.00%	10.00%	3.00%	6.50%	8.00%	2.50%	1.50%
Southwest Gas Corporation	4.00%	4.50%	-	4.00%	7.00%	8.50%	3.00%	6.50%	6.00%
Spire, Inc.	4.70%	4.80%	-	4.70%	9.00%	3.50%	4.50%	9.50%	5.00%
WGL Holdings, Inc.	8.00%	7.30%	7.30%	7.20%	3.50%	2.50%	6.00%	3.50%	3.50%
Average	5.57%	6.33%	6.73%	6.11%	5.69%	4.81%	5.06%	4.94%	4.69%

Source of Information : Yahoo First Call, November 15, 2016
Zacks, November 15, 2016
Morningstar, November 15, 2016
SNL, November 15, 2016
Value Line Investment Survey, September 2, 2016

Gas Group

Financial Risk Adjustment

		ATMOS Energy (NYSE:ATO)	Chesapeake Utilities (NYSE:CPK)	New Jersey Resources (NYSE:NJR)	Northwest Natural Gas (NYSE:NWN)	South Jersey Industries (NYSE:SJI)	Southwest Gas (SWX)	Spire, Inc. (NYSE:__)	WGL Holdings (NYSE:WGL)	Average
Fiscal Year		09/30/15	12/31/15	09/30/15	12/31/15	12/31/15	12/31/15	09/30/15	09/30/15	
Capitalization at Fair Values										
	Debt(D)	2,669,323	165,100	817,319	667,168	1,079,000	1,645,684	1,944,200	1,057,900	1,255,712
	Preferred(P)	0	0	0	0	0	0	0	28,173	3,522
	Equity(E)	5,904,038	866,610	2,484,279	1,388,080	1,669,111	2,613,347	2,363,058	2,867,852	2,519,547
	Total	8,573,361	1,031,710	3,301,598	2,055,248	2,748,111	4,259,031	4,307,258	3,953,925	3,778,780
Capital Structure Ratios										
	Debt(D)	31.14%	16.00%	24.76%	32.46%	39.26%	38.64%	45.14%	26.76%	31.77%
	Preferred(P)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.71%	0.09%
	Equity(E)	68.86%	84.00%	75.24%	67.54%	60.74%	61.36%	54.86%	72.53%	68.14%
	Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Common Stock										
	Issued	101,478.818	15,270.659	85,531.423	27,427.000	70,965.622	47,377.575	43,335.012	49,728.662	
	Treasury	0.000	0.000	2,804.847	0.000	0.000	0.000	0.000	0.000	
	Outstanding	101,478.818	15,270.659	82,726.576	27,427.000	70,965.622	47,377.575	43,335.012	49,728.662	
	Market Price	$ 58.18	$ 56.75	$ 30.03	$ 50.61	$ 23.52	$ 55.16	$ 54.53	$ 57.67	
Capitalization at Carrying Amounts										
	Debt(D)	2,460,000	153,700	807,845	601,700	1,035,800	1,581,454	1,851,500	944,200	1,179,525
	Preferred(P)	0	0	0	0	0	0	0	28,173	3,522
	Equity(E)	3,194,797	358,138	1,106,956	780,972	1,037,539	1,594,408	1,573,600	1,243,247	1,361,207
	Total	5,654,797	511,838	1,914,801	1,382,672	2,073,339	3,175,862	3,425,100	2,215,620	2,544,254
Capital Structure Ratios										
	Debt(D)	43.50%	30.03%	42.19%	43.52%	49.96%	49.80%	54.06%	42.62%	44.46%
	Preferred(P)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.27%	0.16%
	Equity(E)	56.50%	69.97%	57.81%	56.48%	50.04%	50.20%	45.94%	56.11%	55.38%
	Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Betas	Value Line	0.75	0.60	0.80	0.65	0.80	0.75	0.70	0.75	0.73

Hamada	Bl	=	Bu	[1+	(1 - t)	D/E	+	P/E	]
	0.73	=	Bu	[1+	(1-0.35)	0.4662	+	0.0013	]
	0.73	=	Bu	[1+	0.65	0.4662	+	0.0013	]
	0.73	=	Bu	1.3043					
	0.56	=	Bu						
Hamada	Bl	=	0.56	[1+	(1 - t)	D/E	+	P/E	]
	Bl	=	0.56	[1+	0.65	0.8028	+	0.0029	]
	Bl	=	0.56	1.5247					
	Bl	=	0.85						

M&M	ku	=	ke	-	(((	ku	-	i	)	1-t	)	D	/	E	-	(ku	-	d	)	P	/ E
	7.86%	=	9.11%	-	(((	7.86%	-	3.72%	)	0.65	)	31.77%	/	68.14%	-	7.86%	-	5.68%	)	0.09%	/ 68.14%
	7.86%	=	9.11%	-	(((	4.14%			)	0.65	)	0.4662			-	2.18%			)	0.0013	
	7.86%	=	9.11%	-	((	2.69%					)	0.4662			-	2.18%			)	0.0013	
	7.86%	=	9.11%	-		1.25%									-	0.00%					
M&M	ke	=	ku	+	(((	ku	-	i	)	1-t	)	D	/	E	+	(ku	-	d	)	P	/ E
	10.03%	=	7.86%	+	(((	7.86%	-	3.72%	)	0.65	)	44.46%	/	55.38%	+	7.86%	-	5.68%	)	0.16%	/ 55.38%
	10.03%	=	7.86%	+	(((	4.14%			)	0.65	)	0.8028			+	2.18%			)	0.0029	
	10.03%	=	7.86%	+	((	2.69%					)	0.8028			+	2.18%			)	0.0029	
	10.03%	=	7.86%	+		2.16%									+	0.01%					

Gas Group
Analysis of Public Offerings of Common Stock

Company	Date of Offering	No. of shares offered	Dollar amount of offering	Price to public	Underwriters' discount and commission	Gross Proceeds per share	Estimated company issuance expenses	Net proceeds per share	Percent of offering price: Underwriters' discount and commission	Percent of offering price: Estimated company issuance expenses	Percent of offering price: Total Issuance and selling expense
Northwest Natural Gas Company	11/10/16	1,012,000	$ 55,285,560	$ 54.63	$ 2.050	$ 52.580	$ 0.247	$ 52.333	3.8%	0.5%	4.3%
Chesapeake Utilities Corporation	09/21/16	960,488	$ 59,800,000	$ 62.26	$ 2.330	$ 59.930	$ 0.163	$ 59.767	3.7%	0.3%	4.0%
South Jersey Industries, Inc.	05/12/16	8,050,000	$ 211,313,000	$ 26.25	$ 0.919	$ 25.331	$ 0.041	$ 25.290	3.5%	0.2%	3.7%
Spire Inc	05/12/16	2,185,000	$ 137,764,000	$ 63.05	$ 2.049	$ 61.001	$ 0.137	$ 60.864	3.2%	0.2%	3.4%
The Laclede Group, Inc.	06/03/14	10,350,000	$ 478,688,000	$ 46.25	$ 1.711	$ 44.539	$ 0.097	$ 44.442	3.7%	0.2%	3.9%
Atmos Energy Corporation	02/11/14	9,200,000	$ 404,800,000	$ 44.00	$ 1.540	$ 42.460	$ 0.038	$ 42.422	3.5%	0.1%	3.6%
The Laclede Group, Inc.	05/22/13	10,005,000	$ 445,223,000	$ 44.50	$ 1.724	$ 42.776	$ 0.100	$ 42.676	3.9%	0.2%	4.1%
Piedmont Natural Gas Company, Inc.	01/29/13	4,000,000	$ 128,000,000	$ 32.00	$ 1.120	$ 30.880	$ 0.088	$ 30.792	3.5%	0.3%	3.8%
Atmos Energy Corporation	12/07/06	5,500,000	$ 173,250,000	$ 31.50	$ 1.103	$ 30.398	$ 0.073	$ 30.325	3.5%	0.2%	3.7%
AGL Resources Inc.	11/19/04	9,600,000	$ 297,696,000	$ 31.01	$ 0.930	$ 30.080	$ 0.042	$ 30.038	3.0%	0.1%	3.1%
Atmos Energy Corporation	10/21/04	14,000,000	$ 346,500,000	$ 24.75	$ 0.990	$ 23.760	$ 0.029	$ 23.731	4.0%	0.1%	4.1%
Atmos Energy Corporation	07/19/04	8,650,000	$ 214,087,500	$ 24.75	$ 0.990	$ 23.760	$ 0.046	$ 23.714	4.0%	0.2%	4.2%
The Laclede Group, Inc.	05/25/04	1,500,000	$ 40,200,000	$ 26.80	$ 0.871	$ 25.929	$ 0.067	$ 25.862	3.3%	0.3%	3.6%
Northwest Natural Gas Company	03/30/04	1,200,000	$ 37,200,000	$ 31.00	$ 1.010	$ 29.99	$ 0.146	$ 29.844	3.3%	0.5%	3.8%
Piedmont Natural Gas Company, Inc.	01/23/04	4,250,000	$ 180,625,000	$ 42.50	$ 1.490	$ 41.010	$ 0.082	$ 40.928	3.5%	0.2%	3.7%
Atmos Energy Corporation	06/18/03	4,000,000	$ 101,240,000	$ 25.31	$ 1.0124	$ 24.298	$ 0.095	$ 24.203	4.0%	0.4%	4.4%
AGL Resources Inc.	02/11/03	5,600,000	$ 123,200,000	$ 22.00	$ 0.770	$ 21.230	$ 0.045	$ 21.185	3.5%	0.2%	3.7%
WGL Holdings, Inc	06/26/01	1,790,000	$ 47,846,700	$ 26.73	$ 0.895	$ 25.835	$ 0.031	$ 25.804	3.3%	0.1%	3.4%
Average									3.6%	0.2%	3.8%

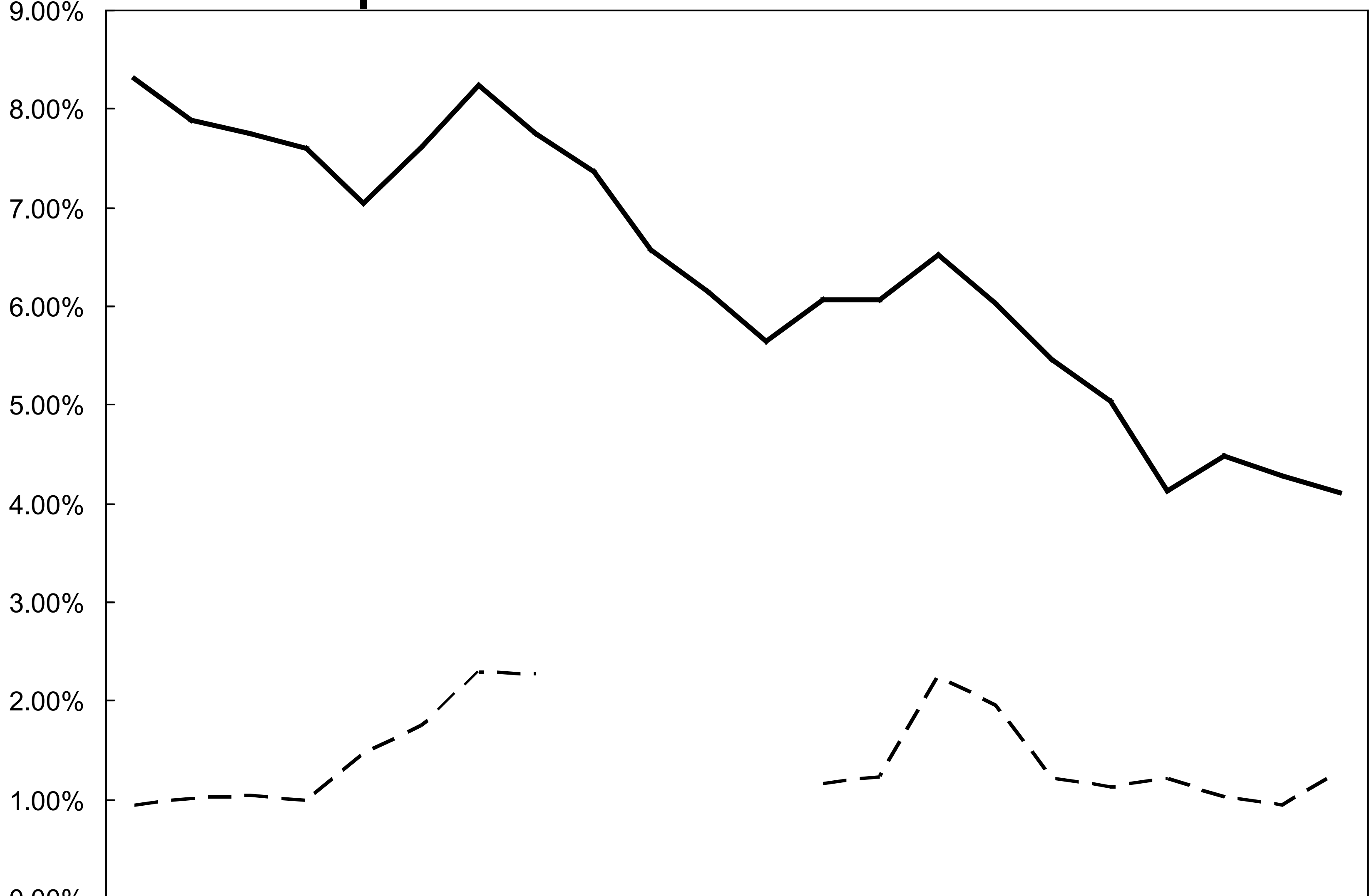
Source of Information: SNL Financial and SEC filings

Interest Rates for Investment Grade Public Utility Bonds
Yearly for 2011-2015
and the Twelve Months Ended October 2016

Years	Aa Rated	A Rated	Baa Rated	Average
2011	4.78%	5.04%	5.57%	5.13%
2012	3.83%	4.13%	4.86%	4.27%
2013	4.24%	4.48%	4.98%	4.57%
2014	4.19%	4.28%	4.80%	4.42%
2015	4.00%	4.12%	5.03%	4.38%
Five-Year Average	4.21%	4.41%	5.05%	4.55%
Months				
Nov-15	4.22%	4.40%	5.57%	4.73%
Dec-15	4.16%	4.35%	5.55%	4.69%
Jan-16	4.09%	4.27%	5.49%	4.62%
Feb-16	3.94%	4.11%	5.28%	4.44%
Mar-16	3.93%	4.16%	5.12%	4.40%
Apr-16	3.74%	4.00%	4.75%	4.16%
May-16	3.65%	3.93%	4.60%	4.06%
Jun-16	3.56%	3.78%	4.47%	3.93%
Jul-16	3.36%	3.57%	4.16%	3.70%
Aug-16	3.39%	3.59%	4.20%	3.73%
Sep-16	3.47%	3.66%	4.27%	3.80%
Oct-16	3.59%	3.77%	4.34%	3.90%
Twelve-Month Average	3.76%	3.97%	4.82%	4.18%
Six-Month Average	3.50%	3.72%	4.34%	3.85%
Three-Month Average	3.48%	3.67%	4.27%	3.81%

Source: Mergent Bond Record

Yields on A-rated Public Utility Bonds and Spreads over 30-Year Treasuries



	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
A-rated Public Utility	8.31%	7.89%	7.75%	7.60%	7.04%	7.62%	8.24%	7.76%	7.37%	6.58%	6.16%	5.65%	6.07%	6.07%	6.53%	6.04%	5.46%	5.04%	4.13%	4.48%	4.28%	4.12%
Spread vs. 30-year	0.94%	1.01%	1.04%	0.99%	1.46%	1.75%	2.30%	2.27%					1.16%	1.23%	2.25%	1.96%	1.21%	1.13%	1.21%	1.03%	0.94%	1.28%

A rated Public Utility Bonds over 30-Year Treasuries

Year	A-rated Public Utility	30-Year Treasuries Yield	30-Year Treasuries Spread
Jan-99	6.97%	5.16%	1.81%
Feb-99	7.09%	5.37%	1.72%
Mar-99	7.26%	5.58%	1.68%
Apr-99	7.22%	5.55%	1.67%
May-99	7.47%	5.81%	1.66%
Jun-99	7.74%	6.04%	1.70%
Jul-99	7.71%	5.98%	1.73%
Aug-99	7.91%	6.07%	1.84%
Sep-99	7.93%	6.07%	1.86%
Oct-99	8.06%	6.26%	1.80%
Nov-99	7.94%	6.15%	1.79%
Dec-99	8.14%	6.35%	1.79%
Jan-00	8.35%	6.63%	1.72%
Feb-00	8.25%	6.23%	2.02%
Mar-00	8.28%	6.05%	2.23%
Apr-00	8.29%	5.85%	2.44%
May-00	8.70%	6.15%	2.55%
Jun-00	8.36%	5.93%	2.43%
Jul-00	8.25%	5.85%	2.40%
Aug-00	8.13%	5.72%	2.41%
Sep-00	8.23%	5.83%	2.40%
Oct-00	8.14%	5.80%	2.34%
Nov-00	8.11%	5.78%	2.33%
Dec-00	7.84%	5.49%	2.35%
Jan-01	7.80%	5.54%	2.26%
Feb-01	7.74%	5.45%	2.29%
Mar-01	7.68%	5.34%	2.34%
Apr-01	7.94%	5.65%	2.29%
May-01	7.99%	5.78%	2.21%
Jun-01	7.85%	5.67%	2.18%
Jul-01	7.78%	5.61%	2.17%
Aug-01	7.59%	5.48%	2.11%
Sep-01	7.75%	5.48%	2.27%
Oct-01	7.63%	5.32%	2.31%
Nov-01	7.57%	5.12%	2.45%
Dec-01	7.83%	5.48%	2.35%
Jan-02	7.66%	5.45%	2.21%
Feb-02	7.54%	5.40%	2.14%
Mar-02	7.76%		
Apr-02	7.57%		
May-02	7.52%		
Jun-02	7.42%		
Jul-02	7.31%		
Aug-02	7.17%		
Sep-02	7.08%		
Oct-02	7.23%		
Nov-02	7.14%		
Dec-02	7.07%		
Nov-02	7.14%	5.04%	2.10%

Year	A-rated Public Utility	30-Year Treasuries Yield	30-Year Treasuries Spread
Jan-03	7.07%		
Feb-03	6.93%		
Mar-03	6.79%		
Apr-03	6.64%		
May-03	6.36%		
Jun-03	6.21%		
Jul-03	6.57%		
Aug-03	6.78%		
Sep-03	6.56%		
Oct-03	6.43%		
Nov-03	6.37%		
Dec-03	6.27%		
Jan-04	6.15%		
Feb-04	6.15%		
Mar-04	5.97%		
Apr-04	6.35%		
May-04	6.62%		
Jun-04	6.46%		
Jul-04	6.27%		
Aug-04	6.14%		
Sep-04	5.98%		
Oct-04	5.94%		
Nov-04	5.97%		
Dec-04	5.92%		
Jan-05	5.78%		
Feb-05	5.61%		
Mar-05	5.83%		
Apr-05	5.64%		
May-05	5.53%		
Jun-05	5.40%		
Jul-05	5.51%		
Aug-05	5.50%		
Sep-05	5.52%		
Oct-05	5.79%		
Nov-05	5.88%		
Dec-05	5.80%		
Jan-06	5.75%		
Feb-06	5.82%	4.54%	1.28%
Mar-06	5.98%	4.73%	1.25%
Apr-06	6.29%	5.06%	1.23%
May-06	6.42%	5.20%	1.22%
Jun-06	6.40%	5.15%	1.25%
Jul-06	6.37%	5.13%	1.24%
Aug-06	6.20%	5.00%	1.20%
Sep-06	6.00%	4.85%	1.15%
Oct-06	5.98%	4.85%	1.13%
Nov-06	5.80%	4.69%	1.11%
Dec-06	5.81%	4.68%	1.13%
Nov-07	5.97%	4.56%	1.41%

Year	A-rated Public Utility	30-Year Treasuries Yield	30-Year Treasuries Spread
Jan-07	5.96%	4.85%	1.11%
Feb-07	5.90%	4.82%	1.08%
Mar-07	5.85%	4.72%	1.13%
Apr-07	5.97%	4.87%	1.10%
May-07	5.99%	4.90%	1.09%
Jun-07	6.30%	5.20%	1.10%
Jul-07	6.25%	5.11%	1.14%
Aug-07	6.24%	4.93%	1.31%
Sep-07	6.18%	4.79%	1.39%
Oct-07	6.11%	4.77%	1.34%
Nov-07	5.97%	4.52%	1.45%
Dec-07	6.16%	4.53%	1.63%
Jan-08	6.02%	4.33%	1.69%
Feb-08	6.21%	4.52%	1.69%
Mar-08	6.21%	4.39%	1.82%
Apr-08	6.29%	4.44%	1.85%
May-08	6.28%	4.60%	1.68%
Jun-08	6.38%	4.69%	1.69%
Jul-08	6.40%	4.57%	1.83%
Aug-08	6.37%	4.50%	1.87%
Sep-08	6.49%	4.27%	2.22%
Oct-08	7.56%	4.17%	3.39%
Nov-08	7.60%	4.00%	3.60%
Dec-08	6.52%	2.87%	3.65%
Jan-09	6.39%	3.13%	3.26%
Feb-09	6.30%	3.59%	2.71%
Mar-09	6.42%	3.64%	2.78%
Apr-09	6.48%	3.76%	2.72%
May-09	6.49%	4.23%	2.26%
Jun-09	6.20%	4.52%	1.68%
Jul-09	5.97%	4.41%	1.56%
Aug-09	5.71%	4.37%	1.34%
Sep-09	5.53%	4.19%	1.34%
Oct-09	5.55%	4.19%	1.36%
Nov-09	5.64%	4.31%	1.33%
Dec-09	5.79%	4.49%	1.30%
Jan-10	5.77%	4.60%	1.17%
Feb-10	5.87%	4.62%	1.25%
Mar-10	5.84%	4.64%	1.20%
Apr-10	5.81%	4.69%	1.12%
May-10	5.50%	4.29%	1.21%
Jun-10	5.46%	4.13%	1.33%
Jul-10	5.26%	3.99%	1.27%
Aug-10	5.01%	3.80%	1.21%
Sep-10	5.01%	3.77%	1.24%
Oct-10	5.10%	3.87%	1.23%
Nov-10	5.37%	4.19%	1.18%
Dec-10	5.56%	4.42%	1.14%
Nov-12	3.84%	2.39%	1.45%

Year	A-rated Public Utility	30-Year Treasuries Yield	30-Year Treasuries Spread
Jan-11	5.57%	4.52%	1.05%
Feb-11	5.68%	4.65%	1.03%
Mar-11	5.56%	4.51%	1.05%
Apr-11	5.55%	4.50%	1.05%
May-11	5.32%	4.29%	1.03%
Jun-11	5.26%	4.23%	1.03%
Jul-11	5.27%	4.27%	1.00%
Aug-11	4.69%	3.65%	1.04%
Sep-11	4.48%	3.18%	1.30%
Oct-11	4.52%	3.13%	1.39%
Nov-11	4.25%	3.02%	1.23%
Dec-11	4.33%	2.98%	1.35%
Jan-12	4.34%	3.03%	1.31%
Feb-12	4.36%	3.11%	1.25%
Mar-12	4.48%	3.28%	1.20%
Apr-12	4.40%	3.18%	1.22%
May-12	4.20%	2.93%	1.27%
Jun-12	4.08%	2.70%	1.38%
Jul-12	3.93%	2.59%	1.34%
Aug-12	4.00%	2.77%	1.23%
Sep-12	4.02%	2.88%	1.14%
Oct-12	3.91%	2.90%	1.01%
Nov-12	3.84%	2.80%	1.04%
Dec-12	4.00%	2.88%	1.12%
Jan-13	4.15%	3.08%	1.07%
Feb-13	4.18%	3.17%	1.01%
Mar-13	4.20%	3.16%	1.04%
Apr-13	4.00%	2.93%	1.07%
May-13	4.17%	3.11%	1.06%
Jun-13	4.53%	3.40%	1.13%
Jul-13	4.68%	3.61%	1.07%
Aug-13	4.73%	3.76%	0.97%
Sep-13	4.80%	3.79%	1.01%
Oct-13	4.70%	3.68%	1.02%
Nov-13	4.77%	3.80%	0.97%
Dec-13	4.81%	3.89%	0.92%
Jan-14	4.63%	3.77%	0.86%
Feb-14	4.53%	3.66%	0.87%
Mar-14	4.51%	3.62%	0.89%
Apr-14	4.41%	3.52%	0.89%
May-14	4.26%	3.39%	0.87%
Jun-14	4.29%	3.42%	0.87%
Jul-14	4.23%	3.33%	0.90%
Aug-14	4.13%	3.20%	0.93%
Sep-14	4.24%	3.26%	0.98%
Oct-14	4.06%	3.04%	1.02%
Nov-14	4.09%	3.04%	1.05%
Dec-14	3.95%	2.83%	1.12%

Year	A-rated Public Utility	30-Year Treasuries Yield	30-Year Treasuries Spread
Jan-15	3.58%	2.46%	1.12%
Feb-15	3.67%	2.57%	1.10%
Mar-15	3.74%	2.63%	1.11%
Apr-15	3.75%	2.59%	1.16%
May-15	4.17%	2.96%	1.21%
Jun-15	4.39%	3.11%	1.28%
Jul-15	4.40%	3.07%	1.33%
Aug-15	4.25%	2.86%	1.39%
Sep-15	4.39%	2.95%	1.44%
Oct-15	4.29%	2.89%	1.40%
Nov-15	4.40%	3.03%	1.37%
Dec-15	4.35%	2.97%	1.38%
Jan-16	4.27%	2.86%	1.41%
Feb-16	4.11%	2.62%	1.49%
Mar-16	4.16%	2.68%	1.48%
Apr-16	4.00%	2.62%	1.38%
May-16	3.93%	2.63%	1.30%
Jun-16	3.78%	2.45%	1.33%
Jul-16	3.57%	2.23%	1.34%
Aug-16	3.59%	2.26%	1.33%
Sep-16	3.66%	2.35%	1.31%
Oct-16	3.77%	2.50%	1.27%
Average:			
12-months			1.37%
6-months			1.31%
3-months			1.30%

Common Equity Risk Premiums
Years 1926-2015

	Large Common Stocks	Long-Term Corp. Bonds	Equity Risk Premium	Long-Term Govt. Bonds Yields
Low Interest Rates	11.97%	4.85%	7.12%	2.97%
Average Across All Interest Rates	11.95%	6.30%	5.65%	5.09%
High Interest Rates	11.93%	7.75%	4.18%	7.22%

Source of Information: 2016 SBBI Yearbook Stocks, Bonds, Bills, and Inflation

Basic Series
Annual Total Returns (except yields)

Year	Large Common Stocks	Long-Term Corp. Bonds	Long-Term Govt. Bonds Yields
1940	-9.78%	3.39%	1.94%
1945	36.44%	4.08%	1.99%
1941	-11.59%	2.73%	2.04%
1949	18.79%	3.31%	2.09%
1946	-8.07%	1.72%	2.12%
1950	31.71%	2.12%	2.24%
1939	-0.41%	3.97%	2.26%
1948	5.50%	4.14%	2.37%
1947	5.71%	-2.34%	2.43%
1942	20.34%	2.60%	2.46%
1944	19.75%	4.73%	2.46%
2012	16.00%	10.68%	2.46%
2014	13.69%	17.28%	2.46%
1943	25.90%	2.83%	2.48%
1938	31.12%	6.13%	2.52%
1936	33.92%	6.74%	2.55%
2011	2.11%	17.95%	2.55%
2015	1.38%	-1.02%	2.68%
1951	24.02%	-2.69%	2.69%
1954	52.62%	5.39%	2.72%
1937	-35.03%	2.75%	2.73%
1953	-0.99%	3.41%	2.74%
1935	47.67%	9.61%	2.76%
1952	18.37%	3.52%	2.79%
1934	-1.44%	13.84%	2.93%
1955	31.56%	0.48%	2.95%
2008	-37.00%	8.78%	3.03%
1932	-8.19%	10.82%	3.15%
1927	37.49%	7.44%	3.17%
1957	-10.78%	8.71%	3.23%
1930	-24.90%	7.98%	3.30%
1933	53.99%	10.38%	3.36%
1928	43.61%	2.84%	3.40%
1929	-8.42%	3.27%	3.40%
1956	6.56%	-6.81%	3.45%
1926	11.62%	7.37%	3.54%
2013	32.39%	-7.07%	3.78%
1960	0.47%	9.07%	3.80%
1958	43.36%	-2.22%	3.82%
1962	-8.73%	7.95%	3.95%
1931	-43.34%	-1.85%	4.07%
2010	15.06%	12.44%	4.14%
1961	26.89%	4.82%	4.15%
1963	22.80%	2.19%	4.17%
1964	16.48%	4.77%	4.23%
1959	11.96%	-0.97%	4.47%
1965	12.45%	-0.46%	4.50%
2007	5.49%	2.60%	4.50%
1966	-10.06%	0.20%	4.55%
2009	26.46%	3.02%	4.58%
2005	4.91%	5.87%	4.61%
2002	-22.10%	16.33%	4.84%
2004	10.88%	8.72%	4.84%
2006	15.79%	3.24%	4.91%
2003	28.68%	5.27%	5.11%
1998	28.58%	10.76%	5.42%
1967	23.98%	-4.95%	5.56%
2000	-9.10%	12.87%	5.58%
2001	-11.89%	10.65%	5.75%
1971	14.30%	11.01%	5.97%
1968	11.06%	2.57%	5.98%
1972	18.99%	7.26%	5.99%
1997	33.36%	12.95%	6.02%
1995	37.58%	27.20%	6.03%
1970	3.86%	18.37%	6.48%
1993	10.08%	13.19%	6.54%
1996	22.96%	1.40%	6.73%
1999	21.04%	-7.45%	6.82%
1969	-8.50%	-8.09%	6.87%
1976	23.93%	18.65%	7.21%
1973	-14.69%	1.14%	7.26%
1992	7.62%	9.39%	7.26%
1991	30.47%	19.89%	7.30%
1974	-26.47%	-3.06%	7.60%
1986	18.67%	19.85%	7.89%
1994	1.32%	-5.76%	7.99%
1977	-7.16%	1.71%	8.03%
1975	37.23%	14.64%	8.05%
1989	31.69%	16.23%	8.16%
1990	-3.10%	6.78%	8.44%
1978	6.57%	-0.07%	8.98%
1988	16.61%	10.70%	9.19%
1987	5.25%	-0.27%	9.20%
1985	31.73%	30.09%	9.56%
1979	18.61%	-4.18%	10.12%
1982	21.55%	42.56%	10.95%
1984	6.27%	16.86%	11.70%
1983	22.56%	6.26%	11.97%
1980	32.50%	-2.76%	11.99%
1981	-4.92%	-1.24%	13.34%

Yields for Treasury Constant Maturities
Yearly for 2011-2015
and the Twelve Months Ended October 2016

Years	1-Year	2-Year	3-Year	5-Year	7-Year	10-Year	20-Year	30-Year
2011	0.18%	0.45%	0.75%	1.52%	2.16%	2.78%	3.62%	3.91%
2012	0.17%	0.28%	0.38%	0.76%	1.22%	1.80%	2.54%	2.92%
2013	0.13%	0.31%	0.54%	1.17%	1.74%	2.35%	3.12%	3.45%
2014	0.12%	0.46%	0.90%	1.64%	2.14%	2.54%	3.07%	3.34%
2015	0.32%	0.69%	1.03%	1.53%	1.89%	2.14%	2.55%	2.84%
Five-Year Average	0.18%	0.44%	0.72%	1.32%	1.83%	2.32%	2.98%	3.29%
Months								
Nov-15	0.48%	0.88%	1.20%	1.67%	2.02%	2.26%	2.69%	3.03%
Dec-15	0.65%	0.98%	1.28%	1.70%	2.04%	2.24%	2.61%	2.97%
Jan-16	0.54%	0.90%	1.14%	1.52%	1.85%	2.09%	2.49%	2.86%
Feb-16	0.53%	0.73%	0.90%	1.22%	1.53%	1.78%	2.20%	2.62%
Mar-16	0.66%	0.88%	1.04%	1.38%	1.68%	1.89%	2.28%	2.68%
Apr-16	0.56%	0.77%	0.92%	1.26%	1.57%	1.81%	2.21%	2.62%
May-16	0.59%	0.82%	0.97%	1.30%	1.60%	1.81%	2.22%	2.63%
Jun-16	0.55%	0.73%	0.86%	1.17%	1.44%	1.64%	2.02%	2.45%
Jul-16	0.51%	0.67%	0.79%	1.07%	1.33%	1.50%	1.82%	2.23%
Aug-16	0.57%	0.74%	0.85%	1.13%	1.40%	1.56%	1.89%	2.26%
Sep-16	0.59%	0.77%	0.90%	1.18%	1.46%	1.63%	2.02%	2.35%
Oct-16	0.66%	0.84%	0.99%	1.27%	1.56%	1.76%	2.17%	2.50%
Twelve-Month Average	0.57%	0.81%	0.99%	1.32%	1.62%	1.83%	2.22%	2.60%
Six-Month Average	0.58%	0.76%	0.89%	1.19%	1.47%	1.65%	2.02%	2.40%
Three-Month Average	0.61%	0.78%	0.91%	1.19%	1.47%	1.65%	2.03%	2.37%

Source: Federal Reserve statistical release H.15

Measures of the Risk-Free Rate & Corporate Bond Yields

The forecast of Treasury and Corporate yields
per the consensus of nearly 50 economists
reported in the Blue Chip Financial Forecasts dated December 1, 2016

		Treasury					Corporate	
Year	Quarter	1-Year Bill	2-Year Note	5-Year Note	10-Year Note	30-Year Bond	Aaa Bond	Baa Bond
2016	Fourth	0.7%	1.0%	1.5%	2.1%	2.8%	3.8%	4.7%
2017	First	0.9%	1.1%	1.7%	2.3%	3.0%	4.0%	4.9%
2017	Second	1.1%	1.3%	1.9%	2.4%	3.1%	4.1%	5.1%
2017	Third	1.3%	1.5%	2.0%	2.6%	3.2%	4.2%	5.2%
2017	Fourth	1.4%	1.6%	2.2%	2.7%	3.3%	4.4%	5.3%
2018	First	1.6%	1.8%	2.3%	2.8%	3.4%	4.5%	5.5%

Measures of the Market Premium

Value Line Return

As of:	Dividend Yield		Median Appreciation Potential		Median Total Return
28-Oct-16	2.2%	+	8.78%	=	10.98%

DCF Result for the S&P 500 Composite

D/P	(1+.5g)	+	g	=	k
2.14%	(1.0430)	+	8.60%	=	10.83%

where:	Price (P)	at	31-Oct-16	=	2126.15
	Dividend (D)	for	3rd Qtr. '16	=	11.36
	Dividend (D)		annualized	=	45.44
	Growth (g)	by	Morningstar	=	8.60%

Summary

Value Line			10.98%
S&P 500			10.83%
Average			10.91%
Risk-free Rate of Return (Rf)			3.50%
Forecast Market Premium			7.41%
Historical Market Premium	(Rm)	(Rf)	
1926-2015 Arith. mean	11.96%	4.03%	7.93%
Average - Forecast/Historical			7.67%

Exhibit 7.8: Size-Decile Portfolios of the NYSE/NYSE MKT/NASDAQ Long-Term Returns in Excess of CAPM
1926–2015

Size Grouping	OLS Beta	Arithmetic Mean	Return in Excess of Risk-free Rate (actual)	Return in Excess of Risk-free Rate (as predicted by CAPM)	Size Premium
Mid-Cap (3–5)	1.12	13.80%	8.75%	7.75%	1.00%
Low-Cap (6–8)	1.22	15.19%	10.14%	8.44%	1.70%
Micro-Cap (9–10)	1.35	17.93%	12.88%	9.31%	3.58%
Breakdown of Deciles 1–10					
1-Largest	0.92	11.05%	6.00%	6.36%	-0.36%
2	1.04	12.78%	7.73%	7.16%	0.57%
3	1.10	13.53%	8.49%	7.63%	0.86%
4	1.12	13.80%	8.75%	7.76%	0.99%
5	1.17	14.59%	9.54%	8.05%	1.49%
6	1.17	14.77%	9.72%	8.09%	1.63%
7	1.25	15.29%	10.25%	8.62%	1.62%
8	1.30	16.08%	11.03%	8.99%	2.04%
9	1.34	16.81%	11.77%	9.23%	2.54%
10-Smallest	1.39	20.26%	15.21%	9.61%	5.60%

Betas are estimated from monthly returns in excess of the 30-day U.S. Treasury bill total return, January 1926–December 2015. Historical riskless rate measured by the 90-year arithmetic mean income return component of 20-year government bonds (5.05%). Calculated in the context of the CAPM by multiplying the equity risk premium by beta. The equity risk premium is estimated by the arithmetic mean total return of the S&P 500 (11.95%) minus the arithmetic mean income return component of 20-year government bonds (5.05%) from 1926–2015. Source: Morningstar *Direct* and CRSP. Calculated based on data from CRSP US Stock Database and CRSP US Indices Database ©2016 Center for Research. Used with permission. All calculations performed by Duff & Phelps LLC.

Comparable Earnings Approach
Using Non-Utility Companies with
Timeliness of 1, 2 & 3; Safety Rank of 1, 2 & 3; Financial Strength of B++, A & A+;
Price Stability of 85 to 100; Betas of .60 to .80; and Technical Rank of 1, 2 & 3

Company	Industry	Timeliness Rank	Safety Rank	Financial Strength	Price Stability	Beta	Technical Rank
ABM Industries Inc	Industrial Services	3	3	B++	90	0.80	3
Berkley (W.R.) Corp	Insurance (Prop/Cas.)	3	1	A	100	0.80	3
Campbell Soup Co	Food Processing	3	2	B++	95	0.70	3
CBOE Holdings Inc	Brokers & Exchanges	3	3	B++	90	0.70	3
Clorox Co	Household Products	2	2	B++	100	0.60	2
CME Group Inc	Brokers & Exchanges	3	2	A	85	0.80	3
Erie Indemnity Company	Insurance (Prop/Cas.)	3	2	B++	90	0.80	3
General Mills Inc	Food Processing	3	1	A+	100	0.70	3
Hormel Foods Corporation	Food Processing	3	1	A	90	0.75	3
J and J Snack Foods Corp	Food Processing	3	2	A	90	0.80	3
Kellogg Company	Food Processing	1	1	A	100	0.75	3
Lancaster Colony Corporatic	Food Processing	3	1	A+	90	0.80	3
Markel Corp	Insurance (Prop/Cas.)	3	1	A	100	0.75	1
McCormick and Co	Food Processing	2	1	A+	100	0.80	2
Mercury General Corp	Insurance (Prop/Cas.)	1	2	B++	90	0.70	3
Philip Morris International In	Tobacco	2	2	B++	95	0.80	3
Sysco Corp	Retail/Wholesale Food	3	1	A+	100	0.75	3
Waste Management	Environmental	3	1	A	100	0.75	3
WD 40 Co	Household Products	3	2	A	90	0.80	2
Average		3	2	B++	94	0.76	3
Gas Group	Average	2	2	A	91	0.72	1

Source of Information: Value Line Investment Survey for Windows, October 2016

Comparable Earnings Approach
Five -Year Average Historical Earned Returns
for Years 2011-2015 and
Projected 3-5 Year Returns

Company	2011	2012	2013	2014	2015	Average	Projected 2019-21
ABM Industries Inc	9.4%	9.0%	9.3%	9.1%	9.2%	9.2%	12.0%
Berkley (W.R.) Corp	7.7%	8.8%	9.7%	10.6%	9.7%	9.3%	10.0%
Campbell Soup Co	77.8%	87.2%	64.6%	49.5%	60.2%	67.9%	33.0%
CBOE Holdings Inc	59.0%	65.8%	61.9%	75.9%	79.0%	68.3%	28.5%
Clorox Co	-	-	NMF	NMF	NMF	-	NMF
CME Group Inc	5.3%	4.7%	4.6%	5.4%	6.1%	5.2%	8.0%
Erie Indemnity Company	21.4%	24.9%	22.1%	24.0%	22.7%	23.0%	28.5%
General Mills Inc	26.0%	26.6%	26.8%	27.9%	35.3%	28.5%	33.0%
Hormel Foods Corporation	17.8%	17.7%	15.9%	16.7%	17.9%	17.2%	18.0%
J and J Snack Foods Corp	11.2%	11.4%	12.5%	12.8%	11.7%	11.9%	11.0%
Kellogg Company	69.9%	53.6%	38.9%	50.1%	59.1%	54.3%	36.5%
Lancaster Colony Corporation	20.6%	17.0%	21.8%	19.1%	17.5%	19.2%	22.0%
Markel Corp	3.7%	6.5%	3.5%	3.6%	6.1%	4.7%	6.5%
McCormick and Co	23.1%	24.0%	21.5%	24.4%	26.9%	24.0%	23.0%
Mercury General Corp	8.2%	6.3%	6.6%	6.7%	7.1%	7.0%	12.0%
Philip Morris International Inc	NMF	NMF	NMF	NMF	NMF	-	NMF
Sysco Corp	24.5%	23.9%	19.1%	17.7%	20.9%	21.2%	71.5%
Waste Management	16.6%	15.2%	17.7%	19.7%	21.6%	18.2%	28.0%
WD 40 Co	18.1%	19.1%	22.2%	25.8%	28.4%	22.7%	32.0%
Average						24.2%	24.3%
Average (excluding companies with values >20%)						11.3%	11.1%

Comparable Earnings Approach

Screening Parameters

Timeliness Rank

The rank for a stock's probable relative market performance in the year ahead. Stocks ranked 1 (Highest) or 2 (Above Average) are likely to outpace the year-ahead market. Those ranked 4 (Below Average) or 5 (Lowest) are not expected to outperform most stocks over the next 12 months. Stocks ranked 3 (Average) will probably advance or decline with the market in the year ahead. Investors should try to limit purchases to stocks ranked 1 (Highest) or 2 (Above Average) for Timeliness.

Safety Rank

A measure of potential risk associated with individual common stocks rather than large diversified portfolios (for which Beta is good risk measure). Safety is based on the stability of price, which includes sensitivity to the market (see Beta) as well as the stock's inherent volatility, adjusted for trend and other factors including company size, the penetration of its markets, product market volatility, the degree of financial leverage, the earnings quality, and the overall condition of the balance sheet. Safety Ranks range from 1 (Highest) to 5 (Lowest). Conservative investors should try to limit purchases to equities ranked 1 (Highest) or 2 (Above Average) for Safety.

Financial Strength

The financial strength of each of the more than 1,600 companies in the VS II data base is rated relative to all the others. The ratings range from A++ to C in nine steps. (For screening purposes, think of an A rating as "greater than" a B). Companies that have the best relative financial strength are given an A++ rating, indicating ability to weather hard times better than the vast majority of other companies. Those who don't quite merit the top rating are given an A+ grade, and so on. A rating as low as C++ is considered satisfactory. A rating of C+ is well below average, and C is reserved for companies with very serious financial problems. The ratings are based upon a computer analysis of a number of key variables that determine (a) financial leverage, (b) business risk, and (c) company size, plus the judgment of Value Line's analysts and senior editors regarding factors that cannot be quantified across-the-board for companies. The primary variables that are indexed and studied include equity coverage of debt, equity coverage of intangibles, "quick ratio", accounting methods, variability of return, fixed charge coverage, stock price stability, and company size.

Price Stability Index

An index based upon a ranking of the weekly percent changes in the price of the stock over the last five years. The lower the standard deviation of the changes, the more stable the stock. Stocks ranking in the top 5% (lowest standard deviations) carry a Price Stability Index of 100; the next 5%, 95; and so on down to 5. One standard deviation is the range around the average weekly percent change in the price that encompasses about two thirds of all the weekly percent change figures over the last five years. When the range is wide, the standard deviation is high and the stock's Price Stability Index is low.

Beta

A measure of the sensitivity of the stock's price to overall fluctuations in the New York Stock Exchange Composite Average. A Beta of 1.50 indicates that a stock tends to rise (or fall) 50% more than the New York Stock Exchange Composite Average. Use Beta to measure the stock market risk inherent in any diversified portfolio of, say, 15 or more companies. Otherwise, use the Safety Rank, which measures total risk inherent in an equity, including that portion attributable to market fluctuations. Beta is derived from a least squares regression analysis between weekly percent changes in the price of a stock and weekly percent changes in the NYSE Average over a period of five years. In the case of shorter price histories, a smaller time period is used, but two years is the minimum. The Betas are periodically adjusted for their long-term tendency to regress toward 1.00.

Technical Rank

A prediction of relative price movement, primarily over the next three to six months. It is a function of price action relative to all stocks followed by Value Line. Stocks ranked 1 (Highest) or 2 (Above Average) are likely to outpace the market. Those ranked 4 (Below Average) or 5 (Lowest) are not expected to outperform most stocks over the next six months. Stocks ranked 3 (Average) will probably advance or decline with the market. Investors should use the Technical and Timeliness Ranks as complements to one another.

EXHIBIT P-9

SOUTH JERSEY GAS COMPANY

PREPARED DIRECT TESTIMONY OF
DANIEL P. YARDLEY

I. INTRODUCTION

Q. Please state your name, affiliation and business address.

A. My name is Daniel P. Yardley. I am Principal, Yardley Associates and my business address is 2409 Providence Hills Drive, Matthews, North Carolina 28105.

Q. On whose behalf are you testifying?

A. I am testifying on behalf of South Jersey Gas Company ("South Jersey Gas" or the "Company").

Q. Please summarize your professional and educational background.

A. I have been employed as a consultant to the natural gas industry for over 25 years. During this period, I have directed or participated in numerous consulting assignments on behalf of local distribution companies ("LDCs"). A number of these assignments involved the development of gas distribution company cost allocation, pricing, service unbundling, revenue decoupling and other tariff analyses. In addition to this work, I have performed interstate pipeline cost of service and rate design analyses, gas supply planning analyses, and financial evaluation analyses. I received a Bachelor of Science Degree in Electrical Engineering from the Massachusetts Institute of Technology in 1988.

Q. Have you previously testified before the New Jersey Board of Public Utilities and other regulatory bodies?

A. Yes. Over the last fifteen years, I have testified before the New Jersey Board of Public Utilities (the "BPU") on various ratemaking and regulatory matters including rate unbundling, cost allocation, service design, rate design, revenue decoupling, cost recovery mechanisms and tariff design. My testimony in various proceedings has been presented on behalf of South Jersey Gas, Elizabethtown Gas Company, and New Jersey Natural Gas Company, including testimony on behalf of South Jersey Gas in previous base rate proceedings. I have also testified in proceedings before several other state utility regulatory commissions, the Federal Energy Regulatory Commission, and the National Energy Board of Canada on a variety of rate and regulatory topics. A summary of my previous expert testimony is provided as Attachment A to my direct testimony.

Q. What is the purpose of your testimony in this proceeding?

A. I have been asked by South Jersey Gas to evaluate the manner in which it recovers its base distribution revenue requirements from customers and to propose changes that are consistent with the nature of the services it provides, as well as important rate design objectives. In this regard, my testimony addresses two topics. First, I will review important public policy and industry developments that are guiding important changes in the way regulatory agencies and LDCs are approaching rate design matters. Second, I will support the derivation of specific rates and charges for distribution services that fairly apportion the Company’s revenue requirement among customer classes. The new charges are based on appropriate rate design considerations including the results of an allocated cost of service study ("ACOSS") performed in a consistent manner with other elements of the Company’s filing.

Q. Please summarize your findings.

A. The five principal conclusions of my testimony are as follows:

(1) **South Jersey Gas’ Conservation Incentive Program (“CIP”) provides an appropriate foundation for the Company’s rate structure.** The CIP aligns the financial interests of South Jersey Gas and its customers with respect to energy consumption by adjusting margin recoveries for changes in customer use. This rate mechanism promotes important rate design goals and recognizes the important role of utilities in promoting the most efficient use of energy by customers. As such, South Jersey Gas’ rate design, which incorporates the CIP, contributes to longer-term consumer and environmental benefits.

(2) **Existing monthly fixed customer charges for the majority of the Company’s customers are substantially below cost-based levels:** The customer charges for residential customers are less than 20% of corresponding customer-related costs. Similarly, customer charges for general service customers are less than 35% of customer-related costs. The below-cost customer charges result in intra-class subsidies as substantial customer-related costs are recovered through volumetric charges applied to customer use. This shifts a disproportionate share of customer-related costs to larger customers within a class.

(3) **The cost of distribution service provided to South Jersey Gas’ residential customers remains subsidized by prices paid by commercial and industrial customers:** The results of the ACOSS demonstrate that the Company is currently providing service to residential customers at below-average returns. The below-average returns for the residential class are the primary driver of the Company’s need to increase its distribution prices because the residential class is by far the largest class on the system representing over 90% of customers and over 50% of firm throughput.

(4) **Within the residential class, non-heating customers receive the greatest level of subsidy by other customers:** The prices for service to residential non-heating customers do not provide adequate revenue recovery based upon the consumption patterns of residential non-heating customers.

(5) **The Company’s proposed rates recover the proposed revenue requirements in an appropriate manner:** The Company’s rate proposal reflects an equalized percentage increase in rates to all rate classes, with the exception of Natural Gas Vehicle service. At the same time, the rate proposal incorporates necessary changes to intra-rate class rate design, including increases to fixed charges in order to bring them closer to cost-based levels. Focusing on intra-class rate design

reduces significant subsidies among South Jersey Gas' customers, including those of residential non-heating customers.

Q. Are you supporting any schedules that accompany your testimony?

A. Yes. I am sponsoring the following four schedules, which will be explained later in my testimony:

Schedule DPY-1:	Allocated Cost of Service Study;
Schedule DPY-2:	Summary of Existing and Proposed Rates and Revenues;
Schedule DPY-3:	Pro Forma Revenue Adjustment Attributable to Updating CIP Tariff Factors; and
Schedule DPY-4:	Derivation of Updated CIP Baseline Use per Customer Factors.

II. RATE DESIGN POLICY BACKGROUND

Q. Does rate design affect the achievement of energy policy objectives?

A. Yes. From a public policy perspective, rate design is a critically important tool for achieving specific energy policy goals that influence the quality of life for New Jersey's citizens and the State's competitive position. Policy goals affected by rate design include end-use fuel mix, energy efficiency and the resulting environmental and cost impacts of energy consumption. Therefore, the form of a utility's rate structure is an important building block that can contribute to achieving important energy policy goals.

The nexus between rate design and energy policy objectives is receiving increased attention throughout the U.S., due in large part to the prevalence of usage-based rate designs. Usage-based rate designs recover a substantial portion of LDC fixed-cost revenue requirements through volumetric charges applied to the amount of natural gas consumed by customers. The inherent operating incentives under this form of rate structure are for the LDC to add new customers and to promote increased consumption by its existing customers.

While growing natural gas loads through the addition of new customers is consistent with public policy favoring the direct and most efficient use of clean-burning natural gas, it is essential for utilities to actively support more efficient use of their product by customers in order to achieve public policy goals that favor energy conservation and reductions in customer energy bills. LDCs such as South Jersey Gas are promoting increased energy efficiency to their customers. The form of rate design is essential to LDCs fully embracing the energy efficiency imperative while also meeting fiduciary responsibilities to shareholders, regulators and customers alike.

Q. Why are usage-based rate designs prevalent among LDCs?

A. The traditional approach to rate design found in many jurisdictions today reflects historical industry drivers and market conditions. The U.S. natural gas delivery system underwent a period of broad expansion that lasted for decades following World War II. This expansion, enabled by advances in metallurgical technologies and welding techniques, brought the benefits of reliable, affordable and clean-burning natural gas to millions of households and businesses throughout the U.S., including New Jersey. Public policy promoted the expansion of natural gas infrastructure and additional penetration of natural gas into more homes and for additional end-uses. This public policy was reflected in throughput-based rate designs as expanding systems and growing loads allowed a LDC's fixed costs to be spread over greater levels of billing units, lowering average costs to consumers. Traditional usage-based rate designs were appropriate under the circumstances in which they were developed. However, the present imperative to promote increased energy efficiency in order to lower customer bills and reduce carbon emissions calls for a reordering of priorities.

Q. Does the CIP represent a rate design approach that addresses the throughput incentive associated with usage-based rate designs?

A. Yes. A fundamental tenet of the CIP Tariff is alignment of the financial interests of South Jersey Gas with those of its customers with respect to reductions in total energy costs to customers. In particular, the base revenue impacts of any customer savings from energy efficiency and conservation do not contribute negatively to the Company's financial performance. The CIP Tariff enables South Jersey Gas to recover fixed costs through a variable or usage-based rate structure without negative consequences. Customers continue to realize substantial savings as gas supply commodity costs are avoided altogether. The CIP and other similar programs adopted in other jurisdictions are recognized as supporting important local and national policy goals to lower energy use and reduce the associated environmental impacts.

Elimination of the disincentives to promoting customer conservation enables South Jersey Gas to embrace new and complementary initiatives to those required by New Jersey's Clean Energy Program ("NJCEP") that capitalize on various channels for promoting conservation by its customers. Energy efficiency and renewable energy resources are two of the building blocks to ensuring a secure energy future for New Jersey. These resources will play an increasingly important role in achieving environmental policy goals of reducing carbon emissions that pose environmental risks, and helping to relieve any future upward pressure on natural gas commodity prices.

Q. What are some indicators of the strong level of interest in revising historical approaches to rate design elsewhere?

A. A number of agencies, industry and environmental associations, and ad hoc groups recognize the growing need to move away from traditional throughput-based rate designs and are calling for changes to gas utility rate structures. These have included the American Gas Association and the Natural Resources Defense Council. The National Association of Regulatory Utility Commissioners ("NARUC") also places significant importance on addressing the challenges of increasing energy efficiency and reducing greenhouse gas emissions. Over recent years, NARUC has sought to promote increased understanding and emphasis on these important policy matters among its constituents and issued a number of resolutions related to the impacts of rate design.

Regulators in many individual jurisdictions have approved various types of rate design changes that address the shortcomings associated with traditional rate designs that recover the majority of LDC fixed costs through variable charges. The changes include fixed-charge rate design approaches as well as revenue decoupling mechanisms. The level of activity further demonstrates the nationwide attention that rate design is receiving.

Q. Please comment on the relationship between South Jersey Gas' CIP and the appropriate rate design in this proceeding.

A. The CIP represents an appropriate means of separating the Company's margin revenue recoveries from customer usage. The CIP is essential to aligning the interests of South Jersey Gas and its customers with respect to energy consumption. Removing the link between throughput and margins through the CIP allows the Company to fully support increased energy efficiency and conservation, encouraging customers to reduce their gas bills and lower the environmental impacts of their gas consumption.

Moreover, the CIP is layered over the existing rate design, which provides important flexibility in terms of the design of base rates. While increases to fixed charges are appropriate, the CIP enables the ongoing recovery of a portion of fixed costs through variable charges and is an integral component of South Jersey Gas' overall rate structure.

III. SOUTH JERSEY GAS DISTRIBUTION RATE DESIGN

Q. What principles guide the development of new rates and tariffs for South Jersey Gas in this proceeding?

A. The primary guiding principle for the development of new rates and charges is that of fairness. Fairness is achieved through pricing services based on the underlying cost. Fairness is important between the Company and its customers, across the classes served by South Jersey Gas, and within individual customer classes. For instance, rates and tariff terms that promote fairness provide a reasonable opportunity for South Jersey Gas to recover the approved level of total base rate revenue requirements. Fairness should achieve revenue stability.

Second, prices should provide consumers with accurate signals concerning the implications of their consumption decisions. Again, pricing service based on cost transmits price signals that encourage the efficient utilization of the facilities that comprise the South Jersey Gas' distribution system. Customers with competitive alternatives to South Jersey Gas-supplied gas supply service also benefit from price signals that are easily understood and interpreted, as do the third-party suppliers ("TPS") that develop and market new products and services.

Third, rate moderation offers important benefits to customers. Specifically, moderation ensures that customers are not exposed to dramatic price changes that could result in undesirable impacts. Other goals such as understandability and simplicity are also important, depending on circumstances that exist from time-to-time.

Fourth, it is also desirable to reflect important public policy considerations in designing and developing new rates and tariff terms. These include policy goals related to economic development in New Jersey and the promotion of environmentally-responsible energy consumption decisions by consumers. At times, these goals compete with one another and must be balanced to achieve an appropriate series of rates and tariffs for service.

Q. Please describe the Company's existing rate schedules.

A. South Jersey Gas' existing rate schedules are segregated by sector, nature of service (firm or interruptible) and by customer size. Firm service is primarily provided under one Residential Service ("RSG") and two size-based general service rate schedules. General service customers with less than 100,000 annual therms are served under the General Service ("GSG") rate schedule and larger customers are served under the General Service – Large Volume ("GSG-LV") rate schedule.

Firm service is also provided to any commercial or industrial electric generating customer including distributed generation and combined heat and power loads pursuant to the Electric Generation Service ("EGS") rate schedule for customers below 200 Mcf per Day or the Electric Generation Service – Large Volume ("EGS-LV") rate schedule for larger customers. A limited number of large customers take firm service under either the Comprehensive Transportation Service ("CTS") or the Large Volume Service ("LVS") rate schedules. CTS requires a minimum contract demand of 100 Mcf/day and LVS requires a minimum contract demand of 200 Mcf/day. The Company also provides firm service to customers using natural gas as a motor vehicle fuel pursuant to its Natural Gas Vehicle ("NGV") rate schedule.

Interruptible customers are either served under the Interruptible Gas Service ("IGS") or Interruptible Transportation Service ("ITS") rate schedules. Lastly, gas lighting service is provided pursuant to the Yard Lighting Service ("YLS") and Street Lighting Service ("SLS") rate schedules.

Q. What rates and charges are incorporated into the RSG and GSG rate schedules?

A. The existing rate design for these customers is similar and includes two types of base rate charges that are intended to recover South Jersey Gas' non-gas revenue requirements. The RSG base rates consist of a $9.00 customer charge and a flat distribution or throughput charge that is $0.547317 per therm[1]. Customer charges are applied per customer per month and distribution charges are applied to each customer's monthly therm usage. Under this rate structure, all residential customers pay a minimum amount to South Jersey Gas equal to the customer charge, regardless of their monthly usage. The rate design also results in customers paying higher amounts as their consumption increases due to the per-therm distribution charge. The distribution charge is considered a variable charge because all of the associated revenues are linked to

[1] All prices noted in this testimony and supporting schedules exclude the New Jersey Sales and Use Tax ("SUT"). The SUT rate is 6.875% as of January 1, 2017.

customer usage or throughput. The existing rate design for GSG customers is similar to that for residential customers. The monthly customer charge for GSG customers is $27.25 and the distribution charge is $0.435411 per therm.

Q. Do the remaining rate schedules employ the same type of rate design?

A. The rate structures for larger commercial and industrial customers taking service under South Jersey Gas' other rate schedules employ a fixed monthly demand charge in addition to monthly customer and distribution charges. The demand charge is an important means of recovering fixed peak-related costs from customers in an equitable manner.

Q. Are there separate charges for gas supply?

A. Yes. Sales customers that purchase their gas supply from South Jersey Gas pay a volumetric Basic Gas Supply Service ("BGSS") rate for gas supply. The BGSS rate recovers the costs of purchased gas and upstream pipeline capacity and storage resources necessary to ensure firm delivery to customers throughout the year, and is adjusted periodically to track changes in the delivered cost of gas supply. The BGSS rate for residential customers may be adjusted three or more times per year and is adjusted monthly for non-residential customers with greater than 5,000 annual therms.

Many customers are transportation-only customers, and pay South Jersey Gas to deliver gas supply that they have purchased from various TPSs that may offer competitive pricing or other terms. The gas supply price for a firm transportation customer is negotiated in a competitive marketplace between the customer and the TPS. Transportation customers also have the option of returning to sales service at any point in the future, subject to certain notice requirements.

Q. Did you perform a traditional ACOSS to support your rate design recommendations?

A. Yes. I believe that an ACOSS provides an important means of assessing the reasonableness of existing prices, and guides the development of price changes. In particular, the ACOSS that I performed for South Jersey Gas examines all of the Company's common costs reflected in its base rate petition, and through appropriate cost assignments and allocations, establishes measures of investments, expenses and income by customer class. The ACOSS is an important tool because many of the Company's costs are common and are incurred to serve many classes of customers collectively.

The ACOSS calculates the total investment and operating costs incurred to serve each customer class, thereby establishing class-specific total revenue requirements. The class-specific revenue requirements are compared to class revenues in order to establish class income and rate of return on investment. The class-specific rates of return are one factor to consider in the apportionment of the revenue requirements among all of South Jersey Gas' customer classes in conjunction with the development of proposed rates. The ACOSS also determines the classification of costs among demand, customer and commodity components. The classification of costs within a rate classification is used to guide the development of the form of billing rates for that class. Although the ACOSS is not the only factor relied upon to design rates, it is an invaluable guide to ensuring that the process is fair and reasonable. A full description of the South Jersey Gas ACOSS and detailed results are presented in Schedule DPY-1.

Q. Please summarize the results of the ACOSS and how these results guided the development of the proposed base rates for South Jersey Gas.

A. The primary results from the ACOSS are the rate of return by class and the unit customer and demand-related costs. The results of the ACOSS indicate that the rate of return for the residential heating, residential non-heating, EGS and NGV classes are less than the system-average rate of return at present rates. The rate of return for all other classes is above the system-average, to varying degrees. Table 1 provides a summary of the rate of return by class and total existing base revenues.

Table 1

**Rate of Return by Class and
Existing Base Revenues
($ million)**

	ACOSS Rate of Return	Existing Base Revenues
Residential Heating	2.2%	$181.3
Residential Non-Heating	(4.1%)	$2.7
GSG	16.0 %	$49.9
GSG-LV	32.6 %	$9.9
CTS	24.7 %	$4.9
LVS	20.0 %	$8.4
EGS	2.1 %	$0.1
EGS-LV	14.5 %	$1.0
NGV	(4.4)	$0.9
Overall	4.6%	$259.0

With respect to unit costs, the ACOSS indicates that the system-wide average customer cost is $58.86 per month, and the cost generally varies with the size of the customer. The lowest average customer cost of $54.43 per month is indicated for the residential non-heating class and the highest is $3,328.47 per month for the EGS-LV class. A comparison of existing customer costs to customer-related costs is presented in Table 2.

Table 2

Comparison of Existing Customer Charges and Customer-Related Costs

	Existing Customer Charge	Customer-Related Cost	Difference
Residential Heating	$9.00	$56.76	$47.76
Residential Non-Heating	$9.00	$54.43	$45.43
GSG	$27.25	$80.44	$53.19
GSG-LV	$150.00	$372.57	$222.57
CTS	$600.00	$2,042.62	$1,442.62
LVS	$900.00	$2,520.38	$1,620.38
EGS	$25.00	$368.53	$343.53
EGS-LV	$180.00	$3,328.47	$3,148.47
NGV (25,000+ CFH)	$600.00	$1,369.95	$769.95

The significant variance between monthly customer-related costs and customer charges is taken into consideration when designing the intra-class rate design.

Q. What steps did you employ to establish the specific base rates you are proposing?

A. First, I determined the class-by-class revenue requirements, which reflect the results of the ACOSS and other rate design principles. Next, I evaluated the existing level of customer charges and proposed increases, where appropriate, to recover a greater proportion of customer-related costs through customer charges. Lastly, I established the appropriate rate structure and rate levels to recover the remaining portion of class revenue requirements.

Q. How did you develop the class-by-class revenue requirements?

A. The development of the class-by-class revenue requirements is a two-step process. The first step entails estimating the rate change that will occur pursuant to the Company's existing Storm Hardening and Reliability Program ("SHARP") and its Accelerated Infrastructure Replacement Program ("AIRP") rate mechanisms. The costs associated with the SHARP and AIRP programs are reflected in rates each October 1st through an adjustment to base rates. Based on current cost estimates, the revenue requirement impact of the next SHARP adjustment is $3.1 million and of the next AIRP adjustment is $4.4 million. Since these adjustments will occur independent of the base rate adjustments resulting from this rate case, I estimated the revenue requirement impact to each class of the combined adjustment based on the percentage of existing base revenues for each class.

The next step entails assigning to various rate classes the revenue requirement change associated with this proceeding, which is $74.9 million. I am proposing to reflect this amount in base rates through a uniform percentage increase to the revenue requirements for each class. The only exception to this approach is that I am proposing a lower increase to the NGV class.

Q. What factors guided your recommendation that the proposed revenue increase be applied on an equal percentage basis to all rate classes?

A. The results of the ACOSS are one consideration in the development of proposed rates. The ACOSS results indicate that the greatest areas of concern are the monthly customer charges and the rate of return for the residential non-heating class. Another important consideration is the current rate structure including the CIP and level of fixed and variable charges. In addition, the historic level of returns and existing rates for each class are important considerations as is the need to develop prices that are fair and not unduly discriminatory. Taking into account all of these factors, I believe that applying the revenue increase on an equal percentage basis to all rate classes, with the exception of the NGV class, is reasonable and appropriate in this case as it reflects an emphasis on needed changes to intra-class rate design.

Q. How does your recommended approach to the allocation of the revenue increase affect the proposed rates for residential customers?

A. The equal percentage increase to all classes other than the NGV class considerably reduces the base rate revenue change to residential customers. The ACOSS indicates that a $101 million increase to residential customers would be required to yield a rate of return of 7.66%, which is the return supported by the Company. However, due to the need to balance various rate design goals including the importance of rate moderation, the revenue allocation I propose to the residential class is limited to $53 million, or approximately one-half the amount indicated by the ACOSS. Because residential heating and residential non-heating customers receive service at the same rates under Rate Schedule RSG, the recommended allocation of the system-wide revenue increase benefits both types of residential customers.

Q. Please explain the proposed revenue requirement change for the NGV rate class.

A. I am proposing to increase the revenue requirements for the NGV rate class by 6.9%. The smaller increase is necessary to reflect the unique nature of investments made to serve the relatively new natural gas vehicle refueling market. In order to take advantage of the benefits of Compressed Natural Gas ("CNG") vehicles, operators must switch over their fleets to CNG vehicles either through the purchase or lease of CNG-ready vehicles or through conversion of existing vehicles to CNG. While fleet operators are able to begin this process when the necessary refueling infrastructure is in place, it typically occurs over a multi-year period. As a result of the nature of the vehicle conversion process and the need for refueling infrastructure to be operational prior to beginning the vehicle conversions, the current utilization of NGV service does not reflect anticipated changes over time. Moreover, the State of New Jersey's energy policy encourages the development and use of alternative fuel vehicles in order to improve the quality of life in the State and reduce the impact of transportation on the environment. For these reasons, it is appropriate to apply a lower revenue requirement increase to the NGV class.

Q. Why is the level of the customer charge important?

A. The level of the monthly fixed customer charge is important for a variety of reasons that relate to the Company's rate design goals I described earlier. First, the monthly fixed customer charge provides customers with an important price signal concerning the impact of connecting to South Jersey Gas' distribution system. Second, recovering customer-related costs through monthly fixed customer charges contributes to intra-class fairness. To the extent that a portion of customer-related costs are recovered through volumetric charges, intra-class subsidies are created as larger customers pay a disproportionate share of customer-related costs. Third, the fixed monthly customer charge provides revenue stability as fixed costs that are incurred to serve customers are recovered through a fixed charge.

Q. Please describe your proposed changes to the Company's fixed charges including monthly customer charges as well as any applicable demand charges.

A. I am proposing changes to the fixed charges applicable to all rate schedules including changes to the monthly customer charges for most customers. It is desirable to recover a greater proportion of the class revenue requirement increase through the customer charge, so that individual rate elements move closer to cost-based levels. For the RSG class, the proposed monthly customer charge is $12.25 per month. The proposed increase is needed to bring the charge closer to the cost-based level indicated by the ACOSS and to address the very low rate of return for residential non-heating customers. The higher RSG monthly customer charge reduces the increases needed to volumetric charges in order to recover the class-specific revenue requirements. Even with the increase to the residential customer charge, 78% of the target revenue requirements of the class are recovered through the volumetric charge under the proposed RSG rates.

I am proposing to increase the customer charge for the GSS class to $32.25, for the EGS class to $75.00, for the EGS-LV class to $900.00 and for the NGV class for meters above 25,000 CFH to $900.00. Additionally, I am proposing to reflect a portion of the revenue increase for the GSG-LV, CTS, LVS, EGS and EGS-LV classes through an increase to the applicable monthly demand charge for each of these classes. These increases to fixed monthly customer and demand charges are also supported by the results of the ACOSS and reduce the required increase to volumetric charges to yield class margin revenues.

Q. Please explain the next step in the rate design process.

A. Once the monthly customer and demand charges are established, the next step in the rate design process is to design the remaining rate elements for each class to recover the total target revenue requirements less the revenues recovered through the customer charge. For all rate classes, I have derived appropriate volumetric distribution base rates to yield the target revenue requirements assigned to each class.

Q. Have you prepared a summary of the proposed rate changes?

A. Yes. The existing and proposed rates for each class are compared in Schedule DPY-2. This schedule reflects the two-step process necessary to establish class-by-class revenue requirements discussed earlier in my testimony. The last column of Schedule DPY-2 provides the percentage increases in base and total revenues by class. In addition, Schedule DPY-2 also provides a proof of revenues demonstrating that the proposed charges yield the requested revenue requirements based on the Company's forecasts of sales and customers.

Q. Please comment on the impact of the proposed rate changes on South Jersey Gas' recovery of its overall costs of providing service to customers.

The proposed rates reflect an equal percentage increase to all customer classes other than the NGV class, and increased fixed charges that are moderately closer to cost-based levels. The estimated return on rate base investment by rate class at existing and proposed rates is provided in Table 3.

Table 3

Estimated Return on Rate Base Investment

Rate Schedule	Existing Rates	Proposed Rates
Residential Heating	2.2%	4.4%
Residential Non-Heating	(4.1%)	(3.9%)
GSG	16.0 %	24.4 %
GSG-LV	32.6 %	41.4 %
CTS	24.7 %	33.4 %
LVS	20.0 %	27.3 %
EGS	2.0 %	3.7 %
EGS-LV	14.5 %	20.1 %
NGV	(4.4%)	(4.9%)
Overall	4.6%	7.7%

While the proposed rates do not eliminate existing subsidies, improvement in intra-class revenue responsibility is achieved through the increases to fixed charges. In my view, the proposed rates in this proceeding result from a fair and reasonable rate design approach given the continuation of the Company's CIP.

Q. What elements of the CIP tariff are updated in a base rate case?

A. Aspects of the CIP tariff that interrelate with South Jersey Gas base rate revenue recoveries must be updated when new base rates are determined in a base rate case. Specifically, the Margin Revenue Factors and the monthly Baseline Usage per Customer ("BUC") set forth in the CIP tariff must be updated in order to align these aspects of the CIP with the BPU's approval of new rates in a base rate proceeding. In conjunction with updating the BUC, the date for determining incremental large customers set forth in Section (h)(viii) of the CIP Tariff should be changed to September 1, 2017, the first day following the end of the test year.

Updating the BUC levels also affects projected test period revenues. A component of test period revenues are the revenues, positive or negative, associated with the difference between the BUC and actual customer use. Any CIP revenues included in the test period are eliminated on a pro forma basis with the resetting of the BUC to the test period throughput level. Schedule DPY-3 provides the CIP revenues that are eliminated from the test period. In addition, Schedule DPY-4 provides the derivation of updated BUC factors to be effective upon implementation of new rates. These BUC factors reflect the billing determinants relied upon to derive the proposed rates in Schedule DPY-4.

Q. Does this conclude your testimony?

A. Yes, it does.

Prior Testimony of
Daniel P. Yardley

Jurisdiction	Sponsor	Year	Topics	Docket
Federal Energy Regulatory Commission	Northern Distributor Group	1992	Cost of Service and Cost Allocation	RP92-1
	Northern Distributor Group	1995	Cost of Service and Rate Design	RP95-185
	Atlanta Gas Light, et al.	2001	Storage Cost Allocation	RP01-245
	Bay State Gas and Northern Utilities	2002	Rate Design	RP02-13
Florida	Peoples Gas System	2008	Cost Allocation and Rate Design	Docket No. 080318-GU
New Hampshire	Northern Utilities	2005	Jurisdictional Gas Cost Allocation	DG05-080
Massachusetts	Bay State Gas	1998	Capacity Assignment	D.T.E. 98-32
	Bay State Gas	2001	Contract Approval	D.T.E. 00-99
	Bay State Gas	2006	Declining Use Rate Adjustment	D.T.E. 06-77
	Bay State Gas	2007	Declining Use Rate Adjustment	D.P.U. 07-89
	Bay State Gas	2009	Revenue Decoupling	D.P.U. 09-30
National Energy Board of Canada	Alberta Northeast Gas, Ltd.	2012	TransCanada Pipeline Service Restructuring and Tolls	RH-3-2011
	Alberta Northeast Gas, Ltd.	2013	TransCanada Pipeline Shipper Renewal Rights	RH-1-2013
	Alberta Northeast Gas, Ltd.	2014	TransCanada Pipeline Service Service and Toll Design	RH-1-2014
New Jersey	New Jersey Natural Gas	1999	Rate Unbundling	Docket No. GO99030123
	Elizabethtown Gas, *et al.*	1999	Customer Account Services	Docket No. EX99090676
	Elizabethtown Gas	2002	Cost Allocation and Rate Design	Docket No. GR02040245
	South Jersey Gas Company	2003	Cost Allocation and Rate Design	Docket No. GR03080683
	South Jersey Gas Company	2004	Capacity Charge	Docket No. GR04060400
	New Jersey Natural Gas	2005	Revenue Decoupling	Docket No. GR0512020
	South Jersey Gas Company	2005	Revenue Decoupling	Docket No. GR0512019
	South Jersey Gas Company	2007	Annual Decoupling Adjustment	Docket No. GR07060354
	New Jersey Natural Gas	2007	Cost Allocation and Rate Design	Docket No. GR07110889
	South Jersey Gas Company	2008	Annual Decoupling Adjustment	Docket No. GR08050367

Prior Testimony of
Daniel P. Yardley

Jurisdiction	Sponsor	Year	Topics	Docket
New Jersey *cont.*	Elizabethtown Gas	2009	Revenue Decoupling, Cost Allocation and Rate Design	Docket No. GR09030195
	South Jersey Gas Company	2009	Annual Decoupling Adjustment	Docket No. GR09060340
	South Jersey Gas Company	2009	Cost Allocation and Rate Design	Docket No. GR10010035
	New Jersey Natural Gas	2010	Energy Efficiency Cost Recovery	Docket No. GR10030225
	South Jersey Gas Company	2011	Annual Decoupling Adjustment	Docket No. GR11060337
	New Jersey Natural Gas	2011	Energy Efficiency Cost Recovery	Docket No. GR11070425
	South Jersey Gas Company	2012	Annual Decoupling Adjustment	Docket No. GR12060475
	New Jersey Natural Gas	2012	Energy Efficiency Cost Recovery	Docket No. GR12070640
	New Jersey Natural Gas and South Jersey Gas Company	2013	Revenue Decoupling	Docket No. GR13030185
	South Jersey Gas Company	2013	Annual Decoupling Adjustment	Docket No. GR13050434
	South Jersey Gas Company	2013	Cost Allocation and Rate Design	Docket No. GR13111137
	South Jersey Gas Company	2014	Annual Decoupling Adjustment	Docket No. GR14050510
	New Jersey Natural Gas	2014	Energy Efficiency Cost Recovery	Docket No. GO14121412
	South Jersey Gas Company	2015	Annual Decoupling Adjustment	Docket No. GR15060642
	Elizabethtown Gas	2015	Infrastructure Cost Recovery	Docket No. GR15091090
	New Jersey Natural Gas	2015	Cost Allocation and Rate Design	Docket No. GR15111304
	South Jersey Gas Company	2016	Annual Decoupling Adjustment	Docket No. GR16060483
	Elizabethtown Gas	2016	Cost Allocation and Rate Design	Docket No. GR16090826
North Carolina	Piedmont Natural Gas Company	2011	Cost Allocation and Rate Design	Cocket No. G-9, Sub. 631
Rhode Island	Providence Gas Company	1996	Cost Allocation and Rate Design	Docket No. 2076
Tennessee	Chattanooga Gas Company	2009	Revenue Decoupling, Cost Allocation and Rate Design	Docket No. 09-00183
	Piedmont Natural Gas Company	2011	Cost Allocation and Rate Design	Docket No. 11-00144
Wisconsin	Wisconsin Power and Light	2001	Cost Allocation and Rate Design	Docket No. 6680-UR-111

SOUTH JERSEY GAS COMPANY
ALLOCATED COST OF SERVICE STUDY

I. PURPOSE AND GUIDING PRINCIPLES

South Jersey Gas Company ("South Jersey Gas") is proposing to change existing rates in connection with a proposed increase in base rate revenue requirements. An allocated cost of service study ("ACOSS") assesses the reasonableness of existing prices, and guides the development of price changes. In particular, the ACOSS examines all of a utility's common costs, and through appropriate cost assignments and allocations, establishes measures of investments, expenses and income by customer class. An ACOSS is necessary to determine the cost responsibility for each customer class because many of the Company's costs are common and are incurred to serve many classes of customers collectively.

The ACOSS calculates the total investment and operating costs incurred to serve each customer class, establishing class-specific total revenue requirements. The class-specific revenue requirements are compared with class revenues in order to establish class income and rate of return on investment. The class-specific rates of return are used to guide the apportionment of the base rate increase among all of South Jersey Gas' customer classes in conjunction with the development of proposed rates. The ACOSS also determines the classification of costs among demand, customer and commodity components. The classification of costs within a rate classification is used to guide the form of billing rates for that class. Although the ACOSS is not the only factor relied upon to design rates, it is an invaluable guide to ensuring that the process is fair and reasonable.

The primary principle that guides the ACOSS process is that of cost causation. Each step in the development of the ACOSS is consistent with the factors that drive or contribute to the incurrence of costs on the South Jersey Gas system. For example, the principle of cost causation requires that the costs incurred by the Company for meter reading be apportioned to classes on the basis of the number of meter readings in each class.

II. Specification of South Jersey Gas ACOSS

A. Overview

The ACOSS follows a three-part process, which consists of the functionalization, classification and allocation of South Jersey Gas' total cost of service. First, cost functionalization involves the segregation of costs into categories based on the function that each cost is incurred to provide. In the ACOSS, the functions are production, transmission, storage and distribution – the direct functions associated with costs incurred by the Company. Second, cost classification further separates costs according to the primary cost causative forces exhibited on South Jersey Gas' system. The cost classifications used in the ACOSS relate to fixed costs required to serve peak requirements (demand-related), fixed costs associated with providing customers with access to and active status on the system (customer-related), and variable costs associated with system throughput (commodity-related). Finally, cost allocation takes each classification of cost for each function and apportions that cost to each of the Company's customer classes. Cost allocation utilizes a variety of factors to apportion the various types of costs among classes in a manner that is consistent with principles of cost responsibility.

B. Customer Classes

The ACOSS includes nine customer classes, which are: Residential Heating, Residential Non-Heating, General Service ("GSG"), General Service – Large Volume ("GDS-LV"), Comprehensive Transportation Service ("CTS"), Large Volume Service ("LVS"), Electric Generation Service ("EGS"), Electric Generation Service – Large Volume ("EGS-LV") and Natural Gas Vehicle Service ("NGV").

The Residential Heating and Residential Non-Heating customers are served under the same rate schedule, Residential Service ("RSG"); however, the two types of customers are studied separately to guide the design of the customer and delivery rates that apply to RSG customers. This approach provides for the evaluation of the cost of serving subsets of customers with disparate characteristics served under a common rate schedule. Residential Non-Heating customers have much lower use than Residential Heating customers and also have a much higher load factor, both of which have important implications for designing rates that are revealed by separating the two types of customers in the ACOSS.

C. Data Sources

The primary data sources fall in two general categories: data related to the establishment of the total cost of service, and data used as the basis for allocating the total cost of service among customer classes. The total cost of service or revenue requirement data utilized in the ACOSS are taken from schedules supporting South Jersey Gas' base rate application in this proceeding. The Company's forecasts of sales, customers and revenues by class supporting the application as adjusted for pro forma changes are used as allocation bases for several categories of costs. The remaining allocation data are derived from special studies of facility or operating costs. All of the data utilized in the ACOSS correspond to a common time period of September 2016 through August 2017. This is South Jersey Gas' test year, which is the period for which rates are to be determined.

D. Cost Functionalization

The functionalization of costs refers to the segregation of costs among the primary functions provided by gas utilities to their retail customers. The chart of accounts prescribed by the New Jersey Board of Public Utilities separates the majority of costs into the following four functions:

- *Production:* The production function includes costs associated with the upstream commodity gas supply, interstate pipeline transportation capacity necessary to deliver the supply to South Jersey Gas' system, and upstream storage facilities. Additionally, the costs of any production facilities and the administrative costs associated with procuring natural gas and transportation are categorized as production-related.

- *Storage:* The storage function includes costs associated with on-system facilities that are able to receive injected supplies or delivered liquid natural gas for later withdrawals.

- *Transmission:* The transmission function includes costs associated with large diameter, high pressure facilities that deliver gas to smaller distribution facilities. Transmission facilities include transmission mains and compressors.

- *Distribution:* The distribution function includes costs associated with delivering supplies within areas that are close in proximity to gas loads, such as distribution mains. The costs associated with connecting customers to the distribution system are also considered distribution-related, which include costs associated with services, meters and regulators.

The majority of South Jersey Gas' non-gas supply costs are associated with the distribution function. Costs that do not directly fall into one of these primary functions, such as administrative and general expenses, are functionalized on the same basis as other related costs.

E. Cost Classification

Classification is the apportionment of costs among demand, customer and commodity categories. Each of South Jersey Gas' rate base and expense accounts is classified consistent with the manner in which the associated costs are incurred. Costs that are associated with serving peak requirements on the system are classified as demand-related, e.g., costs of transmission facilities. Costs that are associated with providing customers access to and active status on the distribution system are classified as customer-related. Customer-related costs are incurred regardless of the amount of gas a customer consumes in any given period and include the costs of services, meters and regulators, and meter reading and billing expenses. Costs that are associated with the quantity of gas purchased or transported are classified as commodity-related. Examples of commodity-related costs are purchased gas costs. Demand and customer-related costs are considered fixed, while commodity-related costs are variable. Some categories of costs vary with more than one of the classifications described previously.

Lastly, some categories of costs are appropriately classified based on how other related costs are classified. For example, distribution operations supervision and engineering expenses are classified based on the classification of all other distribution operations accounts.

The classification of distribution mains reflects the distinct cost causative factors that drive the Company's investments in these facilities. The first factor is the coincident peak demand on the system. Distribution mains are designed to deliver the maximum quantities that are required during a peak period from South Jersey Gas' transmission pipelines or interstate pipeline interconnects to the interconnection with each individual customer service. The second factor is the number of customers on the system. Distribution mains are also designed to deliver supplies in reasonable proximity to customers in order to minimize the length of pipe used to serve all customers in an overall efficient fashion.

The breakdown of distribution mains investment costs between the demand and customer-related components is determined through a minimum-size study. The premise underlying this study is that the size of distribution main installed in a given location is most affected by the peak load that will be served by the main, and that the length of distribution main is most affected by the number of customers that are served. The validity of this premise is supported by the system design criteria taken into consideration by the Company's distribution engineering staff.

The minimum size study evaluates the cost of replacing the existing distribution mains of the system under two different sets of assumptions. The first determines the cost of replacing existing distribution mains with the same type, diameter and lengths of pipe as is currently installed. The second determines the replacement cost assuming that the entire system is replaced with two-inch diameter plastic pipe, which is the smallest, least-expensive size and type of pipe presently being installed. The customer component of distribution mains is equal to the ratio of the replacement cost using the smallest size pipe to the replacement cost using the installed sizes of pipe. Based on the results of this study, 76% of South Jersey Gas' distribution mains investment is classified as customer-related.

F. Cost Allocation

Cost allocation is the apportionment of individual elements of the Company's classified cost of service among rate classes based on each class' responsibility for the cost being incurred. Cost allocation follows cost causation principles and requires the development of numerous allocation factors that reflect the different types of costs included in South Jersey Gas' overall revenue requirements. Considerable effort is required to yield the set of allocation factors underlying the ACOSS.

The ACOSS follows system-design criteria in order to allocate costs on the basis of cost causation. The demand allocator used in the ACOSS is the coincident design day demand factor. Under this method, the allocation of demand costs reflects the manner in which the Company designs, plans and constructs its system to satisfy firm demands. Off-peak loads do not increase the Company's demand-related investments, and therefore, are not factored into the demand allocator in a system-design ACOSS.

The other allocation factors used in the ACOSS may be grouped into three categories as follows: (i) class summary statistics reflected in the base rate filing, such as the number of customers and sales by class; (ii) special studies that examine the costs associated with a specific type of investment or expense; and (iii) internal allocation factors, which are composite factors determined on the basis of how related cost items are allocated. All of the various factors must be developed assuming a consistent time period for the ACOSS to be accurate.

Seven special studies were performed related to significant capital investment and operations and maintenance ("O&M") expense accounts. The studies are as follows:

- *Meter Investment Study:* The meter investment study establishes the aggregate investment in meters and associated regulators based on the type and replacement cost of various meters installed to serve each class.

- *Service Investment Study:* South Jersey Gas' investment in distribution services is the largest investment on its books after the Company's investment in mains. The services investment study establishes the aggregate investment in services based on the type and length of various services installed to serve each class.

- *Industrial Customer Investment Study:* The industrial customer investment study examines the Company's investments in services, meters and regulators to serve the largest customers on the system.

- *Working Capital Study:* The working capital study examines the components of South Jersey Gas' proposed working capital allowance. A composite allocator is derived from the allocation of each component within the ACOSS.

- *Customer Deposits Study:* The customer deposits study assesses the customer deposits by rate class.

- *Labor Expense Study:* A study of the Company's payroll expense examines components of the Company's payroll costs. The labor study is used as the basis for allocating costs that vary with direct payroll costs, such as pensions and benefits costs.

- *Write-offs Study:* The write-offs study examines historical write-offs by customer class.

Together, these special studies are utilized to allocate a substantial portion of the Company's total revenue requirements to customer classes.

Gas costs represent a significant proportion of the Company's overall O&M expense. Gas costs are allocated among South Jersey Gas' rate classes on the basis of Basic Gas Supply Service ("BGSS") revenues. The Company does not necessarily incur all gas costs on this basis as a portion of gas costs result from fixed interstate pipeline demand charges. However, given that all customers are allowed to choose an alternate gas supplier, it is important that the application of the ACOSS results to the design of distribution prices not be affected by variances in the allocation of gas costs among sales service classifications.

III. RESULTS

Detailed ACOSS results are provided in Schedule DPY-1, Attachment 1. The first two pages of the attached results provide an income statement by class at existing and proposed rates, respectively. Pages three, four and five contain summaries of allocated rate base, O&M expense and total revenue requirements by classification and rate class. Lastly, page six provides a detailed analysis of the components of monthly customer-related costs.

The ACOSS demonstrates that the rates of return for the Residential Heating, Residential Non-Heating, EGS and NGV customers are less than the system-average rate of return of 4.56% at present rates. The residential class is by far South Jersey Gas' largest class. The rate of return for all other classes is above the system-average, indicating that these classes are subsidizing the prices for residential customers.

Monthly customer costs are derived from the costs that are classified as customer-related and the apportionment of these costs to South Jersey Gas' various customer classes. The system-wide average monthly customer cost is $59, and the cost generally varies with the size of the customer. The lowest average customer cost of $54 per month is associated with serving the Residential Non-Heating class.

The results of the ACOSS indicates that class-differentiated base rate revenue increases would be appropriate given the wide disparity in rates of return by customer class. In addition, the monthly customer-related costs should be taken into consideration in the development of proposed modifications to existing customer charges.

South Jersey Gas Company
Income and Rate of Return at Present Rates

	Total System	Residential Heating	Residential Non-Heating	General Service GSG	General Service GSG-LV	CTS	LVS	EGS	EGS-LV	NGV
REVENUES										
Margin Revenues	$ 259,017,424	$ 181,316,110	$ 2,726,914	$ 49,853,133	$ 9,895,728	$ 4,913,687	$ 8,383,380	$ 105,044	$ 952,341	$ 871,088
BGSS/TEFA/SBC Revenues	206,336,630	146,784,003	1,292,828	44,368,143	6,743,541	1,528,613	4,868,570	128,391	333,095	289,445
Miscellaneous Revenues	6,275,704	5,137,021	146,127	709,585	87,900	54,216	106,650	3,268	14,645	16,291
Total	**$ 471,629,758**	**$ 333,237,134**	**$ 4,165,869**	**$ 94,930,861**	**$ 16,727,170**	**$ 6,496,517**	**$ 13,358,600**	**$ 236,702**	**$ 1,300,081**	**$ 1,176,823**
OPERATING EXPENSES										
Operations and Maintenance	$ 303,961,137	$227,368,057	$3,521,547	$54,712,637	$8,018,228	$2,140,206	$6,219,103	$168,140	$526,259	$1,286,962
Depreciation and Amortization	56,297,337	45,914,745	1,340,617	6,352,134	716,586	551,047	949,810	31,912	136,623	303,865
Taxes Other Than Income Taxes	4,055,731	3,338,458	96,751	457,323	51,317	27,822	57,939	1,739	7,869	16,514
Total	**$ 364,314,205**	**$ 276,621,260**	**$ 4,958,914**	**$ 61,522,094**	**$ 8,786,131**	**$ 2,719,074**	**$ 7,226,851**	**$ 201,791**	**$ 670,750**	**$ 1,607,341**
OPERATING INCOME BEFORE TAXES	**$ 107,315,553**	**$ 56,615,874**	**$ (793,044)**	**$ 33,408,768**	**$ 7,941,039**	**$ 3,777,443**	**$ 6,131,749**	**$ 34,912**	**$ 629,331**	**$ (430,518)**
INCOME TAXES										
Federal Income Taxes	$ (14,048,595)	$ (11,499,575)	$ (327,116)	$ (1,588,454)	$ (196,771)	$ (121,367)	$ (238,744)	$ (7,315)	$ (32,784)	$ (36,468)
State Income Taxes	(4,634,450)	(3,793,562)	(107,911)	(524,011)	(64,912)	(40,037)	(78,759)	(2,413)	(10,815)	(12,030)
Deferred Income Taxes	51,439,264	42,375,631	1,205,414	5,853,411	725,096	447,234	879,765	26,957	120,810	(195,054)
Total	**$ 32,756,219**	**$ 27,082,494**	**$ 770,387**	**$ 3,740,946**	**$ 463,413**	**$ 285,830**	**$ 562,263**	**$ 17,228**	**$ 77,210**	**$ (243,552)**
RATEMAKING ADJUSTMENTS	**$ (32,847)**	**($23,140)**	**($291)**	**($6,614)**	**($1,184)**	**($474)**	**($950)**	**($16)**	**($94)**	**($85)**
NET INCOME	**$ 74,526,487**	**$ 29,510,239**	**$ (1,563,722)**	**$ 29,661,208**	**$ 7,476,442**	**$ 3,491,140**	**$ 5,568,537**	**$ 17,667**	**$ 552,027**	**$ (187,051)**
CIP/CIRT Revenue Adjustment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ADJUSTED NET INCOME	**$ 74,526,487**	**$ 29,510,239**	**$ (1,563,722)**	**$ 29,661,208**	**$ 7,476,442**	**$ 3,491,140**	**$ 5,568,537**	**$ 17,667**	**$ 552,027**	**$ (187,051)**
RATE BASE	**$ 1,635,111,331**	**$1,338,431,805**	**$38,072,934**	**$184,879,639**	**$22,902,112**	**$14,125,864**	**$27,787,330**	**$851,435**	**$3,815,763**	**$4,244,449**
RATE OF RETURN AT PRESENT RATE	**4.56%**	**2.20%**	**-4.11%**	**16.04%**	**32.65%**	**24.71%**	**20.04%**	**2.07%**	**14.47%**	**-4.41%**

South Jersey Gas Company
Income and Rate of Return at Proposed Rates

	Total System	Residential Heating	Residential Non-Heating	General Service GSG	General Service GSG-LV	CTS	LVS	EGS	EGS-LV	NGV
REVENUES										
Margin Revenues	$ 346,697,758	$ 241,433,132	$ 3,659,565	$ 69,405,986	$ 12,417,371	$ 6,448,468	$ 11,001,927	$ 137,853	$ 1,249,799	$ 943,656
BGSS/TEFA/SBC Revenues	206,336,630	146,784,003	1,292,828	44,368,143	6,743,541	1,528,613	4,868,570	128,391	333,095	289,445
Miscellaneous Revenues	6,278,368	5,139,202	146,189	709,886	87,938	54,239	106,696	3,269	14,651	16,297
Total	**$ 559,312,755**	**$ 393,356,337**	**$ 5,098,583**	**$ 114,484,015**	**$ 19,248,849**	**$ 8,031,321**	**$ 15,977,192**	**$ 269,514**	**$ 1,597,545**	**$ 1,249,399**
OPERATING EXPENSES										
Operations and Maintenance	$ 305,709,969	$228,939,005	$3,541,283	$54,837,567	$8,040,585	$2,149,153	$6,219,103	$168,444	$526,259	$1,288,570
Depreciation and Amortization	56,297,337	45,914,745	1,340,617	6,352,134	716,586	551,047	949,810	31,912	136,623	303,865
Taxes Other Than Income Taxes	4,275,376	3,518,250	101,865	482,158	54,394	29,719	61,671	1,853	8,382	17,084
Total	**$ 366,282,682**	**$ 278,372,000**	**$ 4,983,765**	**$ 61,671,859**	**$ 8,811,564**	**$ 2,729,919**	**$ 7,230,584**	**$ 202,210**	**$ 671,263**	**$ 1,609,519**
OPERATING INCOME BEFORE TAXES	**$ 193,030,073**	**$ 114,984,338**	**$ 114,818**	**$ 52,812,156**	**$ 10,437,285**	**$ 5,301,402**	**$ 8,746,608**	**$ 67,304**	**$ 926,283**	**$ (360,121)**
INCOME TAXES										
Federal Income Taxes	$ 13,228,331	$ 10,828,143	$ 308,017	$ 1,495,708	$ 185,282	$ 114,281	$ 224,804	$ 6,888	$ 30,870	$ 34,338
State Income Taxes	3,079,831	2,521,017	71,713	348,232	43,138	26,607	52,339	1,604	7,187	7,995
Deferred Income Taxes	51,439,264	42,375,631	1,205,414	5,853,411	725,096	447,234	879,765	26,957	120,810	(195,054)
Total	**$ 67,747,426**	**$ 55,724,791**	**$ 1,585,143**	**$ 7,697,351**	**$ 953,515**	**$ 588,122**	**$ 1,156,909**	**$ 35,449**	**$ 158,867**	**$ (152,721)**
RATEMAKING ADJUSTMENTS	**$ (32,847)**	**($23,140)**	**($291)**	**($6,614)**	**($1,184)**	**($474)**	**($950)**	**($16)**	**($94)**	**($85)**
NET INCOME	**$ 125,249,800**	**$ 59,236,406**	**$ (1,470,616)**	**$ 45,108,192**	**$ 9,482,586**	**$ 4,712,806**	**$ 7,588,750**	**$ 31,839**	**$ 767,321**	**$ (207,485)**
RATE BASE	**$ 1,635,111,331**	**$1,338,431,805**	**$38,072,934**	**$184,879,639**	**$22,902,112**	**$14,125,864**	**$27,787,330**	**$851,435**	**$3,815,763**	**$4,244,449**
RATE OF RETURN AT PROPOSED RAT	**7.66%**	**4.43%**	**-3.86%**	**24.40%**	**41.40%**	**33.36%**	**27.31%**	**3.74%**	**20.11%**	**-4.89%**

South Jersey Gas Company
Rate Base

	Total System	Residential Heating	Residential Non-Heating	General Service GSG	General Service GSG-LV	CTS	LVS	EGS	EGS-LV	NGV
I. PLANT IN SERVICE										
Demand	$ 662,663,215	$ 441,851,019	$ 2,737,251	$123,221,659	$31,835,543	$13,791,707	$37,993,977	$1,008,679	$4,943,914	$5,279,465
Customer	1,870,872,210	1,634,324,911	57,340,023	157,986,575	2,708,734	9,393,069	6,601,136	396,091	1,308,104	813,567
Commodity	831,744	592,174	5,224	178,474	27,131	6,156	19,564	516	1,339	1,165
	$ 2,534,367,169	$2,076,768,103	$60,082,499	$281,386,709	$34,571,409	$23,190,932	$44,614,676	$1,405,287	$6,253,356	$6,094,198
II. ACCUMULATED RESERVE FOR DEPRECIATION										
Demand	$ 150,034,674	$ 100,328,329	$ 621,810	$27,970,426	$7,226,161	$3,130,477	$8,623,283	$228,943	$1,122,093	$783,152
Customer	362,719,178	314,378,287	11,003,660	31,564,626	583,392	2,615,388	1,865,971	112,490	367,849	227,515
Commodity	207,325	147,608	1,302	44,487	6,763	1,534	4,877	129	334	291
	$ 512,961,177	$414,854,224	$11,626,772	$59,579,539	$7,816,317	$5,747,400	$10,494,131	$341,561	$1,490,276	$1,010,958
III. NET PLANT IN SERVICE										
Demand	$ 512,628,542	$ 341,522,690	$ 2,115,442	$95,251,234	$24,609,382	$10,661,230	$29,370,694	$779,736	$3,821,821	$4,496,314
Customer	1,508,153,032	1,319,946,624	46,336,363	126,421,949	2,125,342	6,777,681	4,735,165	283,601	940,255	586,052
Commodity	624,419	444,565	3,922	133,987	20,368	4,621	14,687	388	1,005	875
	$ 2,021,405,992	$1,661,913,879	$48,455,727	$221,807,170	$26,755,092	$17,443,532	$34,120,546	$1,063,725	$4,763,081	$5,083,240
IV. RATE BASE ADDITIONS										
Demand	$ 41,390,830	$ 30,560,629	$ 434,149	$8,143,660	$1,045,283	$304,402	$677,855	$17,587	$72,265	$135,000
Customer	84,091,348	63,049,548	1,084,396	14,987,750	2,171,210	731,064	1,544,596	33,429	155,344	334,010
Commodity	34,839	26,074	442	6,248	909	304	646	14	65	139
	$ 125,517,017	$93,636,250	$1,518,987	$23,137,658	$3,217,401	$1,035,769	$2,223,097	$51,031	$227,674	$469,149
V. RATE BASE DEDUCTIONS										
Demand	$ (132,074,407)	$ (88,588,442)	$ (636,160)	($24,958,095)	($6,042,173)	($2,581,924)	($7,072,804)	($187,902)	($916,599)	($1,090,308)
Customer	(379,580,108)	(328,417,906)	(11,264,550)	(35,073,346)	(1,023,197)	(1,770,353)	(1,479,899)	(75,324)	(258,140)	(217,393)
Commodity	(157,162)	(111,977)	(1,070)	(33,747)	(5,013)	(1,160)	(3,610)	(95)	(252)	(239)
	$ (511,811,678)	($417,118,325)	($11,901,780)	($60,065,188)	($7,070,382)	($4,353,437)	($8,556,312)	($263,321)	($1,174,992)	($1,307,940)
VI. TOTAL RATE BASE										
Demand	**$ 421,944,964**	**$ 283,494,877**	**$ 1,913,431**	**$78,436,799**	**$19,612,492**	**$8,383,708**	**$22,975,745**	**$609,421**	**$2,977,487**	**$3,541,005**
Customer	**1,212,664,272**	**1,054,578,267**	**36,156,209**	**106,336,353**	**3,273,355**	**5,738,391**	**4,799,862**	**241,707**	**837,459**	**702,669**
Commodity	**502,095**	**358,662**	**3,294**	**106,487**	**16,264**	**3,765**	**11,723**	**307**	**818**	**775**
	$ 1,635,111,331	**$1,338,431,805**	**$38,072,934**	**$184,879,639**	**$22,902,112**	**$14,125,864**	**$27,787,330**	**$851,435**	**$3,815,763**	**$4,244,449**

South Jersey Gas Company
O&M Expense

	Total System	Residential Heating	Residential Non-Heating	General Service GSG	General Service GSG-LV	CTS	LVS	EGS	EGS-LV	NGV
I. PRODUCTION EXPENSE										
Demand	$ 10,311,600	$ 6,915,910	$ 42,647	$1,934,843	$500,081	$216,658	$597,345	$15,853	$77,729	$10,534
Customer	-	-	-	-	-	-	-	-	-	-
Commodity	183,055,263	130,222,076	1,146,956	39,361,999	5,982,654	1,356,137	4,319,240	113,904	295,511	256,786
	$ 193,366,863	$137,137,986	$1,189,603	$41,296,842	$6,482,735	$1,572,795	$4,916,584	$129,757	$373,240	$267,320
II. STORAGE EXPENSE										
Demand	$ 993,025	$ 666,014	$ 4,107	$ 186,329	$ 48,159	$ 20,865	$ 57,525	$ 1,527	$ 7,485	$ 1,014
Customer	-	-	-	-	-	-	-	-	-	-
Commodity	-	-	-	-	-	-	-	-	-	-
	$ 993,025	$666,014	$4,107	$186,329	$48,159	$20,865	$57,525	$1,527	$7,485	$1,014
III. TRANSMISSION EXPENSE										
Demand	$ 6,013,571	$ 4,033,255	$ 24,871	$ 1,128,372	$ 291,640	$ 126,352	$ 348,362	$ 9,245	$ 45,330	$ 6,143
Customer	-	-	-	-	-	-	-	-	-	-
Commodity	-	-	-	-	-	-	-	-	-	-
	$ 6,013,571	$4,033,255	$24,871	$1,128,372	$291,640	$126,352	$348,362	$9,245	$45,330	$6,143
IV. DISTRIBUTION EXPENSE										
Demand	$ 1,799,280	$ 731,421	$ 4,510	$204,627	$52,888	$22,914	$63,175	$1,677	$8,221	$709,848
Customer	17,468,209	14,670,724	503,165	2,171,983	62,425	31,221	20,688	1,186	4,198	2,618
Commodity	-	-	-	-	-	-	-	-	-	-
	$ 19,267,489	$15,402,145	$507,676	$2,376,611	$115,313	$54,135	$83,862	$2,863	$12,418	$712,466
V. CUSTOMER ACCOUNTS EXPENSE										
Demand	$ 3,187,433	$ 2,863,220	$ 35,972	$ 227,699	$ 40,748	$ 16,309	$ -	$ 555	$ -	$ 2,931
Customer	21,597,465	19,439,863	501,681	1,473,310	122,581	48,295	874	1,919	130	8,812
Commodity	3,793	3,407	43	271	48	19	-	1	-	3
	$ 24,788,691	$22,306,490	$537,696	$1,701,280	$163,378	$64,623	$874	$2,475	$130	$11,747
VI. CUSTOMER SERVICE AND SALES EXPENSE										
Demand	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Customer	2,083,219	1,877,889	66,716	137,170	917	239	146	54	22	65
Commodity	13,070,929	9,298,413	81,898	2,810,615	427,187	96,834	308,412	8,133	21,101	18,336
	$ 15,154,147	$ 11,176,302	$ 148,614	$ 2,947,785	$ 428,104	$ 97,073	$ 308,559	$ 8,188	$ 21,122	$ 18,401
VII. ADMINISTRATIVE AND GENERAL EXPENSE										
Demand	$ 9,129,041	$ 6,066,193	$ 40,158	$1,602,176	$412,405	$178,679	$485,331	$12,974	$63,178	$267,946
Customer	36,793,774	32,005,830	1,087,282	3,554,532	92,218	33,126	13,220	1,290	3,027	3,247
Commodity	203,367	144,788	1,277	43,641	6,634	1,505	4,784	126	327	285
	$ 46,126,182	$38,216,812	$1,128,717	$5,200,349	$511,257	$213,311	$503,335	$14,391	$66,533	$271,479
VIII. TOTAL O&M EXPENSE										
Demand	**$ 31,433,950**	**$ 21,276,013**	**$ 152,265**	**$ 5,284,047**	**$ 1,345,921**	**$ 581,776**	**$ 1,551,738**	**$ 41,830**	**$ 201,943**	**$ 998,417**
Customer	**77,942,666**	**67,994,307**	**2,158,845**	**7,336,995**	**278,141**	**112,882**	**34,929**	**4,450**	**7,376**	**14,743**
Commodity	**196,333,352**	**139,668,685**	**1,230,173**	**42,216,526**	**6,416,524**	**1,454,495**	**4,632,435**	**122,165**	**316,940**	**275,410**
	$ 305,709,969	**$ 228,939,005**	**$ 3,541,283**	**$ 54,837,567**	**$ 8,040,585**	**$ 2,149,153**	**$ 6,219,103**	**$ 168,444**	**$ 526,259**	**$ 1,288,570**

South Jersey Gas Company
Total Revenue Requirements

	Total System	Residential Heating	Residential Non-Heating	General Service GSG	General Service GSG-LV	CTS	LVS	EGS	EGS-LV	NGV
I. O&M EXPENSE										
Demand	$ 31,433,950	$ 21,276,013	$ 152,265	$ 5,284,047	$ 1,345,921	$ 581,776	$ 1,551,738	$ 41,830	$ 201,943	$ 998,417
Customer	77,942,666	67,994,307	2,158,845	7,336,995	278,141	112,882	34,929	4,450	7,376	14,743
Commodity	196,333,352	139,668,685	1,230,173	42,216,526	6,416,524	1,454,495	4,632,435	122,165	316,940	275,410
	$ 305,709,969	$ 228,939,005	$ 3,541,283	$ 54,837,567	$ 8,040,585	$ 2,149,153	$ 6,219,103	$ 168,444	$ 526,259	$ 1,288,570
II. DEPRECIATION										
Demand	$ 13,442,828	$ 8,879,886	$ 55,827	$ 2,450,831	$ 632,387	$ 273,901	$ 752,542	$ 20,004	$ 97,923	$ 279,526
Customer	42,783,800	36,984,516	1,284,346	3,886,130	81,892	276,622	195,605	11,864	38,585	24,239
Commodity	70,709	50,343	444	15,173	2,307	523	1,663	44	114	99
	$ 56,297,337	$ 45,914,745	$ 1,340,617	$ 6,352,134	$ 716,586	$ 551,047	$ 949,810	$ 31,912	$ 136,623	$ 303,865
III. TAXES OTHER THAN INCOME										
Demand	$ 993,818	$ 664,611	$ 4,424	$ 180,969	$ 45,849	$ 19,717	$ 53,888	$ 1,433	$ 6,997	$ 15,930
Customer	3,272,699	2,847,330	97,386	299,289	8,256	9,936	7,575	414	1,370	1,142
Commodity	8,860	6,309	56	1,900	289	66	208	5	14	13
	$ 4,275,376	$3,518,250	$101,865	$482,158	$54,394	$29,719	$61,671	$1,853	$8,382	$17,084
IV. DEFERRED INCOME TAXES										
Demand	$ 13,359,055	$ 8,975,634	$ 60,580	$ 2,483,361	$ 620,944	$ 265,434	$ 727,427	$ 19,295	$ 94,269	$ 112,111
Customer	38,393,748	33,388,641	1,144,729	3,366,679	103,637	181,681	151,967	7,653	26,515	22,247
Commodity	(313,539)	11,355	104	3,371	515	119	371	10	26	(329,411)
	$ 51,439,264	$42,375,631	$1,205,414	$5,853,411	$725,096	$447,234	$879,765	$26,957	$120,810	($195,054)
V. RATEMAKING ADJUSTMENTS										
Demand	$ 8,476	$ 5,971	$ 75	$ 1,707	$ 305	$ 122	$ 245	$ 4	$ 24	$ 22
Customer	24,361	17,162	216	4,905	878	351	704	12	70	63
Commodity	10	7	0	2	0	0	0	0	0	0
	$ 32,847	$23,140	$291	$6,614	$1,184	$474	$950	$16	$94	$85
VI. RETURN										
Demand	$ 32,338,523	$ 21,727,491	$ 146,648	$ 6,011,519	$ 1,503,132	$ 642,541	$ 1,760,897	$ 46,707	$ 228,199	$ 271,388
Customer	92,940,489	80,824,530	2,771,068	8,149,785	250,875	439,799	367,869	18,525	64,184	53,854
Commodity	38,481	27,488	252	8,161	1,247	289	899	24	63	59
	$ 125,317,493	$102,579,509	$2,917,969	$14,169,465	$1,755,254	$1,082,628	$2,129,664	$65,255	$292,446	$325,301
VII. INCOME TAXES										
Demand	$ 4,208,366	$ 2,827,502	$ 19,084	$ 782,308	$ 195,610	$ 83,617	$ 229,154	$ 6,078	$ 29,697	$ 35,317
Customer	12,094,789	10,518,081	360,612	1,060,570	32,648	57,233	47,873	2,411	8,353	7,008
Commodity	5,008	3,577	33	1,062	162	38	117	3	8	8
	$ 16,308,162	$13,349,160	$379,729	$1,843,940	$228,420	$140,888	$277,143	$8,492	$38,057	$42,333
VIII. TOTAL REVENUE REQUIREMENTS										
Demand	**$ 95,785,016**	**$ 64,357,110**	**$ 438,903**	**$ 17,194,740**	**$ 4,344,148**	**$ 1,867,108**	**$ 5,075,891**	**$ 135,351**	**$ 659,053**	**$ 1,712,711**
Customer	**267,452,552**	**232,574,567**	**7,817,202**	**24,104,353**	**756,326**	**1,078,506**	**806,522**	**45,329**	**146,453**	**123,296**
Commodity	**196,142,881**	**139,767,765**	**1,231,063**	**42,246,195**	**6,421,043**	**1,455,530**	**4,635,694**	**122,250**	**317,164**	**(53,823)**
	$ 559,380,448	**$436,699,441**	**$9,487,168**	**$83,545,289**	**$11,521,517**	**$4,401,143**	**$10,518,106**	**$302,930**	**$1,122,670**	**$1,782,184**

South Jersey Gas Company
Monthly Customer Cost Detail

	Total System	Residential Heating	Residential Non-Heating	General Service GSG	General Service GSG-LV	CTS	LVS	EGS	EGS-LV	NGV
I. AVERAGE CUSTOMER COSTS										
Customer-Related Revenue Req.	$ 267,452,552	$ 232,574,567	$ 7,817,202	$ 24,104,353	$ 756,326	$ 1,078,506	$ 806,522	$ 45,329	$ 146,453	$ 123,296
Average Customers	378,674	341,473	11,969	24,970	169	44	27	10	4	8
Average Monthly Customer Cost	**$ 58.86**	**$ 56.76**	**$ 54.43**	**$ 80.44**	**$ 372.57**	**$ 2,042.62**	**$ 2,520.38**	**$ 368.53**	**$ 3,328.47**	**$ 1,369.95**
II. MONTHLY CUSTOMER COST DETAIL										
O&M Expense										
Mains and Services Expense	$ 1.48	$ 1.47	$ 1.49	$ 1.53	$ 1.51	$ 19.39	$ 17.09	$ 1.47	$ 27.91	$ 7.84
Meter & Regulator Expense	0.93	0.74	0.66	3.41	20.82	32.08	39.44	6.38	55.69	16.71
Meter Reading Expense	0.66	0.66	0.67	0.66	0.65	0.65	0.66	0.64	0.71	1.04
Customer Records and Collections	2.07	2.07	2.10	2.07	2.04	2.04	2.07	1.99	2.23	3.27
Uncollectible Accounts	1.64	1.63	0.59	1.78	46.93	72.22	-	10.55	-	76.14
All Other O&M	10.37	10.02	9.53	15.05	65.06	87.41	49.89	15.14	81.10	58.80
Total O&M	$ 17.15	$ 16.59	$ 15.03	$ 24.49	$ 137.02	$ 213.79	$ 109.15	$ 36.18	$ 167.64	$ 163.81
Depreciation										
Mains	$ 2.39	$ 2.39	$ 2.43	$ 2.39	$ 2.36	$ 2.36	$ 2.39	$ 2.30	$ 2.57	$ 3.78
Services	3.23	3.20	3.25	3.39	3.35	60.97	53.55	3.27	88.29	22.85
Measuring and Regulating	0.91	0.64	0.57	2.96	18.08	435.89	535.90	86.72	756.70	227.06
All Other Depreciation	2.89	2.79	2.70	4.23	16.55	24.69	19.43	4.17	29.37	15.64
Total Depreciation	$ 9.42	$ 9.03	$ 8.94	$ 12.97	$ 40.34	$ 523.91	$ 611.26	$ 96.46	$ 876.94	$ 269.33
Taxes Other Than Income Taxes	$ 0.72	$ 0.69	$ 0.68	$ 1.00	$ 4.07	$ 18.82	$ 23.67	$ 3.37	$ 31.14	$ 12.69
Deferred Income Taxes	$ 8.45	$ 8.15	$ 7.97	$ 11.24	$ 51.05	$ 344.09	$ 474.90	$ 62.22	$ 602.60	$ 247.19
Ratemaking Adjustments	$ 0.01	$ 0.00	$ 0.00	$ 0.02	$ 0.43	$ 0.67	$ 2.20	$ 0.10	$ 1.59	$ 0.70
Rate Base-Related (Return and Income Taxes)										
Mains	$ 12.64	$ 12.63	$ 12.80	$ 12.62	$ 12.45	$ 12.46	$ 12.61	$ 12.15	$ 13.59	$ 19.93
Services	12.04	10.98	11.13	11.64	11.49	209.14	183.69	11.22	302.86	78.38
Meters and Regulators	2.57	1.90	1.69	8.72	53.31	859.51	1,056.71	171.00	1,492.11	447.74
All Other Rate Base-Related	(4.13)	(3.23)	(3.82)	(2.25)	62.42	(139.76)	46.18	(24.16)	(160.00)	130.19
Total Rate Base-Related	$ 23.11	$ 22.29	$ 21.80	$ 30.74	$ 139.67	$ 941.35	$ 1,299.19	$ 170.21	$ 1,648.56	$ 676.24
Total Average Monthly Customer Cost	**$ 58.86**	**$ 56.76**	**$ 54.43**	**$ 80.44**	**$ 372.57**	**$ 2,042.62**	**$ 2,520.38**	**$ 368.53**	**$ 3,328.47**	**$ 1,369.95**

South Jersey Gas Company
Base and Total Revenues at Present and Proposed Rates

Component	Amount	Units	Present Rates Rate	Present Rates Revenue	Exsting Rates Adjusted for Projected October 1, 2017 SHARP and AIRP II Roll-In Rate	Exsting Rates Adjusted for Projected October 1, 2017 SHARP and AIRP II Roll-In Revenue	Proposed Rates Rate	Proposed Rates Revenue	Increase
			RSG		RSG		RSG		
Residential Service									
Customer Charge	4,302,142	Bills	$ 9.00	$ 38,719,278	$ 9.00	$ 38,719,278	$ 12.25	$ 52,701,240	
Distribution Charge	265,520,248	Therms	0.547317	145,323,746	0.567285	150,625,654	0.724583	192,391,458	
CIP Revenues				2,716,367		2,716,367		-	
Total Base Revenues				**$ 186,759,391**		**$ 192,061,299**		**$ 245,092,697**	**27.6%**
		Rider Revenues		**$ 117,871,454**		**$ 117,871,454**		**$ 117,871,454**	
		Total Class Revenues		**$ 304,630,845**		**$ 309,932,753**		**$ 362,964,151**	**17.1%**
			GSG		GSG		GSG		
General Service (0-100,000 Annual Therms)									
Customer Charge	303,468	Bills	$ 27.25	$ 8,269,503	$ 27.25	$ 8,269,503	$ 32.25	$ 9,786,843	
Distribution Charge	95,504,317	Therms	0.435411	41,583,630	0.451132	43,085,054	0.624256	59,619,143	
CIP Revenues				3,033,897		3,033,897		-	
Total Base Revenues				**$ 52,887,030**		**$ 54,388,454**		**$ 69,405,986**	**27.6%**
		Rider Revenues		**$ 33,097,736**		**$ 33,097,736**		**$ 33,097,736**	
		Total Class Revenues		**$ 85,984,766**		**$ 87,486,190**		**$ 102,503,722**	**17.2%**

South Jersey Gas Company
Base and Total Revenues at Present and Proposed Rates

Component	Amount	Units	Present Rates Rate	Present Rates Revenue	Exsting Rates Adjusted for Projected October 1, 2017 SHARP and AIRP II Roll-In Rate	Exsting Rates Adjusted for Projected October 1, 2017 SHARP and AIRP II Roll-In Revenue	Proposed Rates Rate	Proposed Rates Revenue	Increase
			GSG-LV		**GSG-LV**		**GSG-LV**		
General Service Large Volume (100,000 + Annual Therms)									
Customer Charge	2,027	Bills	$ 150.00	$ 304,050	$ 150.00	$ 304,050	$ 150.00	$ 304,050	
Demand Charge	212,320	Mcf	9.0000	1,910,880	9.0000	1,910,880	12.2500	2,600,920	
Distribution Charge	32,214,195	Therms	0.238429	7,680,798.35	0.246767	7,949,400	0.295286	9,512,401	
CIRT Revenues				(433,746)		(433,746)		-	
Total Base Revenues				**$ 9,461,982**		**$ 9,730,584**		**$ 12,417,371**	**27.6%**
		Rider Revenues		**$ 5,925,415**		**$ 5,925,415**		**$ 5,925,415**	
		Total Class Revenues		**$ 15,387,397**		**$ 15,655,999**		**$ 18,342,785**	**17.2%**
			CTS		**CTS**		**CTS**		
Comprehensive Firm Transportation Service									
Customer Charge	526	Bills	$ 600.00	$ 315,600	$ 600.00	$ 315,600	$ 600.00	$ 315,600	
Demand Charge	127,100	Mcf	27.4213	3,485,247	27.4213	3,485,247	31.0000	3,940,100	
Distribution Charge	23,375,068	Therms	0.047608	1,112,840	0.053576	1,252,343	0.093808	2,192,768	
Total Base Revenues				**$ 4,913,687**		**$ 5,053,190**		**$ 6,448,468**	**27.6%**
		Rider Revenues		**$ 1,244,841**		**$ 1,244,841**		**$ 1,244,841**	
		Total Class Revenues		**$ 6,158,529**		**$ 6,298,031**		**$ 7,693,310**	**22.2%**

South Jersey Gas Company
Base and Total Revenues at Present and Proposed Rates

Component	Amount	Units	Present Rates Rate	Present Rates Revenue	Exsting Rates Adjusted for Projected October 1, 2017 SHARP and AIRP II Roll-In Rate	Exsting Rates Adjusted for Projected October 1, 2017 SHARP and AIRP II Roll-In Revenue	Proposed Rates Rate	Proposed Rates Revenue	Increase
			LVS		LVS		LVS		
Large Volume Service									
Customer Charge	322	Bills	$ 900.00	$ 289,800	$ 900.00	$ 289,800	$ 900.00	$ 289,800	
Demand Charge	350,440	Mcf	14.8842	5,216,019	14.8842	5,216,019	18.0000	6,307,920	
Distribution Charge	71,435,397	Therms	0.040282	2,877,561	0.043614	3,115,583	0.061653	4,404,207	
Total Base Revenues				**$ 8,383,380**		**$ 8,621,402**		**$ 11,001,927**	**27.6%**
	Rider Revenues			**$ 3,964,768**		**$ 3,964,768**		**$ 3,964,768**	
	Total Class Revenues			**$ 12,348,147**		**$ 12,586,170**		**$ 14,966,694**	**18.9%**
			EGS		EGS		EGS		
Electric Generation Service									
Customer Charge	123	Bills	$ 25.00	$ 3,075	$ 25.00	$ 3,075	$ 75.00	$ 9,225	
Demand Charge	9,294	Mcf	6.500	60,411	6.5000	60,411	8.2500	76,676	
Distribution Charge (Nov - Mar.)	152,113	Therms	0.125294	19,059	0.132976	20,227	0.152072	23,132	
Distribution Charge (Apr - Oct.)	236,097	Therms	0.095294	22,499	0.102976	24,312	0.122072	28,821	
Total Base Revenues				**$ 105,044**		**$ 108,026**		**$ 137,853**	**27.6%**
	Rider Revenues			**$ 104,556**		**$ 104,556**		**$ 104,556**	
	Total Class Revenues			**$ 209,600**		**$ 212,582**		**$ 242,410**	**14.0%**

South Jersey Gas Company
Base and Total Revenues at Present and Proposed Rates

Component	Amount	Units	Present Rates Rate	Present Rates Revenue	Exsting Rates Adjusted for Projected October 1, 2017 SHARP and AIRP II Roll-In Rate	Exsting Rates Adjusted for Projected October 1, 2017 SHARP and AIRP II Roll-In Revenue	Proposed Rates Rate	Proposed Rates Revenue	Increase
			EGS-LV		EGS-LV		EGS-LV		
Electric Generation Service - Large Volume									
Customer Charge	44	Bills	$ 180.00	7,920	$ 180.00	$ 7,920	$ 900.00	$ 39,600	
Demand Charge	45,600	Mcf	20.710978	944,421	21.303874	971,457	26.539446	1,210,199	
Total Base Revenues				**$ 952,341**		**$ 979,377**		**$ 1,249,799**	**27.6%**
		Rider Revenues		**$ 271,259**		**$ 271,259**		**$ 271,259**	
		Total Class Revenues		**$ 1,223,600**		**$ 1,250,636**		**$ 1,521,058**	**21.6%**
			NGV		NGV		NGV		
Natural Gas Vehicle Service									
Cust. Charge 0-999 CFH	12	Bills	$ 37.50	$ 450	$ 37.50	$ 450	$ 37.50	$ 450	
Cust. Charge 1,000-4,999 CFH	-	Bills	75.00	-	75.00	-	75.00	-	
Cust. Charge 5,000-24,999 CFH	12	Bills	200.00	2,400	200.00	2,400	200.00	2,400	
Cust. Charge 25,000+ CFH	117	Bills	600.00	70,200	600.00	70,200	900.00	105,300	
Distribution Charge	2,082,234	Therms	0.164072	341,636	0.169726	353,409	0.169726	353,409	
Subtotal Distribution				**$ 414,686**		**$ 426,459**		**$ 461,559**	
Compression Charge	840,876	Therms	0.542769	456,401	0.542769	456,401	0.573327	482,097	
Total Base Revenues				**$ 871,088**		**$ 882,861**		**$ 943,656**	**6.9%**
		Rider Revenues		**$ 235,712**		**$ 235,712**		**$ 235,712**	
		Total Class Revenues		**$ 1,106,800**		**$ 1,118,573**		**$ 1,179,368**	**5.4%**

South Jersey Gas Company
Base and Total Revenues at Present and Proposed Rates

Component	Amount	Units	Present Rates Rate	Present Rates Revenue	Exsting Rates Adjusted for Projected October 1, 2017 SHARP and AIRP II Roll-In Rate	Exsting Rates Adjusted for Projected October 1, 2017 SHARP and AIRP II Roll-In Revenue	Proposed Rates Rate	Proposed Rates Revenue	Increase
			GLS		GLS		GLS		
Gas Lights Service									
Yard Lights	48	Mantles	$ 7.723363	$ 4,449	$ 7.942622	$ 4,575	$ 10.135711	$ 5,838	
Street Lights	36	Mantles	$ 8.325900	3,597	$ 8.562264	3,699	$ 10.926447	4,720	
Total Base Revenues				**$ 8,045**		**$ 8,274**		**$ 10,558**	**27.6%**
		Rider Revenues		**$ 11,655**		**$ 11,655**		**$ 11,655**	
		Total Class Revenues		**$ 19,700**		**$ 19,928**		**$ 22,213**	**11.5%**
TOTAL SYSTEM BASE DISTRIBUTION REVENUES				***$ 264,341,988***		***$ 271,833,466***		***$ 346,708,316***	***27.5%***
Other Revenues									
Rider Revenues				**$ 162,727,396**		**$ 162,727,396**		**$ 162,727,396**	
Special Contracts				**4,535,159**		**4,535,159**		**4,535,159**	
Service Charges				**1,732,500**		**1,732,500**		**1,732,500**	
Total Other Revenues				**$ 168,995,055**		**$ 168,995,055**		**$ 168,995,055**	
TOTAL SYSTEM INCLUDING OTHER REVENUES				***$ 433,337,043***		***$ 440,828,521***		***$ 515,703,371***	***17.0%***

Increase	**$ 74,874,850**
Target	**74,874,738**
Difference	**$112**

SOUTH JERSEY GAS COMPANY
Pro Forma Adjustment to August 31, 2017
Summary of CIP Revenue Adjustment

Description	Actual 2016 September	Actual 2016 October	Actual 2016 November	Projected 2016 December	Projected 2017 January	Projected 2017 February	Projected 2017 March	Projected 2017 April	Projected 2017 May	Projected 2017 June	Projected 2017 July	Projected 2017 August	Test Year Total
CIP Revenue Adjustment													
CIP Group 1 - RSG non-Heat	($9,778)	($23,715)	$24,102	$57,460	$49,763	$24,981	($20,687)	($13,971)	($9,312)	($11,142)	($11,611)	($8,024)	$48,065
CIP Group 2 - RSG Heat	($174,461)	($3,081,892)	($1,794,864)	$779,012	$198,558	($559,105)	$191,551	$88,223	($538,535)	$200,690	$221,171	$466,671	($4,002,981)
CIP Group 3 - GSG	($10,560)	($1,230,641)	($1,496,257)	($1,075,618)	($211,965)	($368,834)	($593,835)	$89,145	$426,130	$362,743	$258,725	$651,026	($3,199,943)
CIP Group 4 - GSG-LV	($67,567)	($119,647)	$1,395	($89,867)	($85,088)	$115,499	($14,662)	$210,697	$37,768	$35,364	($66,049)	$405,606	$363,449
Total Revenue	($262,366)	($4,455,896)	($3,265,624)	($329,014)	($48,732)	($787,459)	($437,634)	$374,094	($83,949)	$587,655	$402,235	$1,515,280	($6,791,410)
Weather Related Dollars	$0	($116,847)	($1,358,045)	$0	$0	$0	$0	$0	$0	$0	$0	$0	($1,474,892)
Total Non-Weather Related Dollars	($262,366)	($4,339,049)	($1,907,579)	($329,014)	($48,732)	($787,459)	($437,634)	$374,094	($83,949)	$587,655	$402,235	$1,515,280	($5,316,518)

South Jersey Gas Company
Derivation of CIP Baseline Use-per-Customer
3 + 9 Update

	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Total
Group 1: RSG Non-Heat													
Customers	12,006	11,955	11,924	11,930	11,808	11,809	11,849	11,928	12,067	12,117	12,123	12,116	143,632
Therms	100,848	116,900	209,793	351,935	368,410	321,205	290,301	209,933	152,044	117,535	117,593	121,160	2,477,656
Baseline Use per Cust.	8.40	9.78	17.59	29.50	31.20	27.20	24.50	17.60	12.60	9.70	9.70	10.00	207.77
Group 2: RSG Heat													
Customers	337,925	338,431	339,260	340,509	342,250	342,798	343,119	342,961	342,841	342,691	342,458	342,431	4,097,674
Therms	5,334,396	5,899,267	24,687,255	44,470,475	54,109,725	45,352,175	36,130,431	17,971,156	9,153,855	5,722,940	5,445,082	5,410,410	259,687,167
Baseline Use per Cust.	15.79	17.43	72.77	130.60	158.10	132.30	105.30	52.40	26.70	16.70	15.90	15.80	759.79
Group 3: GSG													
Customers	24,398	24,488	24,649	24,842	25,234	25,300	25,347	25,337	25,191	25,038	24,920	24,863	299,607
Therms	3,043,580	2,407,587	8,241,728	13,226,259	16,326,792	15,406,849	12,058,047	7,063,365	5,163,591	3,906,287	3,286,808	4,865,531	94,996,425
Baseline Use per Cust.	124.75	98.32	334.36	532.42	647.02	608.97	475.72	278.78	204.98	156.01	131.89	195.69	3,788.91
Group 4: GSG-LV													
Customers	177	177	180	181	164	164	164	164	164	164	164	164	2,027
Therms	629,889	1,479,197	3,435,915	4,282,587	4,407,648	4,516,035	3,390,552	3,322,804	1,839,440	1,399,297	841,090	2,669,740	32,214,195
Baseline Use per Cust.	3,558.70	8,357.05	19,088.42	23,660.70	26,875.90	27,536.80	20,674.10	20,261.00	11,216.10	8,532.30	5,128.60	16,278.90	191,168.57

EXHIBIT P-10

BEFORE THE

NEW JERSEY BOARD OF PUBLIC UTILITIES

SOUTH JERSEY GAS COMPANY

Direct Testimony

of

Michael J. Reno,
Ernst & Young, LLP

On Behalf of

South Jersey Gas Company

I. Introduction

Q. Please state your name, business address and position.

A. My name is Michael Reno. I am an executive director in Ernst & Young LLP's National Energy Practice. My business address is 1101 New York Avenue, NW, Washington, District of Columbia, 20005-4213.

Q. On whose behalf are you testifying in this proceeding?

A. I am testifying on behalf of South Jersey Gas Company ("SJG").

Q. What is your educational and professional background?

A. I graduated from Kansas State University with a Bachelor of Science degree in Business Administration, with an emphasis in accounting, in 1987, and a Masters of Science, with an emphasis in accounting, in 1988. After completion of my Masters of Science in Accounting, I joined Deloitte Tax LLP, formerly Deloitte Haskins & Sells. In 2012, I joined Ernst & Young LLP as an executive director in the National Energy Practice. I am a Certified Public Accountant, licensed in the District of Columbia and in the Commonwealth of Virginia. I have practiced public accounting for over 27 years. In my practice, I provide tax services to regulated water, electric and gas utilities. I regularly assist clients with tax planning, supporting and explaining tax reporting positions, and tax return reviews. My experience includes providing advice on accounting for income taxes and performing tax provision reviews. I also regularly consult with companies regarding tax accounting and its impact on the rate setting process as well as compliance with the normalization rules. Additionally, I am a frequent speaker at industry seminars and conferences on the topic of tax accounting for rate-regulated utilities. I have spoken at the Edison Electric Institute tax committee meetings and the American Gas Association tax committee meetings in addition to other industry meetings.

Q. Have you testified in any regulatory proceedings?

A. Yes, I have testified on tax, tax accounting and regulatory tax matters before the New Jersey Board of Public Utilities, the California Public Utilities Commission, the Connecticut Public Utilities Regulatory Authority and the Federal Energy Regulatory Commission. I provided testimony on behalf of South Jersey Gas Company before the New Jersey Board of Public Utilities in Docket Nos. GR16020175 and GR16040387.

II. <u>Purpose of Testimony</u>

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to explain how the accumulated deferred tax calculations included in SJG's base rate case filing comply with the normalization method of accounting as defined in Internal Revenue Code "IRC" 168(i)(9). In so doing, I will also explain why the tax law requires SJG to include the deferred income tax asset created by a net operating loss ("NOL") caused by the difference between federal income tax depreciation and financial accounting depreciation in SJG's rate base and I will discuss the consequences of excluding that deferred tax asset from SJG's rate base.

III. The Normalization Method of Accounting

Q. Why does Congress require a public utility to use the normalization method of accounting?

A. In 1954, Congress enacted accelerated depreciation. The primary motive behind enacting accelerated depreciation was to provide a permanent investment incentive. Because federal income tax expense is included in a utility's cost of service for ratemaking purposes, some regulatory agencies reduced the federal tax expense included in cost of service to reflect the reduction in a utility's tax liability caused by accelerated depreciation, i.e., some regulators "flowed through" the tax benefit associated with accelerated depreciation to ratepayers. As a result, the accelerated depreciation became a massive federal utility subsidy to ratepayers as opposed to an investment incentive for the utility. Moreover, the flow through of the benefits of accelerated depreciation to ratepayers resulted in a loss of federal income tax revenues because the flow-through reduced utility profits. To ensure that accelerated depreciation achieved its stated purpose, Congress enacted the normalization rules in 1969, which permit a utility to claim accelerated depreciation only if the utility complies with the normalization rules.

Q. Does Congress mandate the use of the normalization method of accounting?

A. Yes, IRC Sec. 168(f)(2) provides that "public utility property" does not qualify for accelerated depreciation if the taxpayer does not use a "normalization method of accounting." IRC Sec. 168(i)(10) defines "public utility property" as including property used predominantly in the trade or business of the furnishing or sale of gas through a local distribution system, and the transportation of gas by pipeline if a public utility commission or other similar body establishes the rates for such furnishing or sale.

Therefore, while the Internal Revenue Code does not mandate any particular rate treatment, it does limit the ability to use accelerated depreciation unless the utility uses the normalization method of accounting.

Q. Can you define the normalization method of accounting?

A. Yes, IRC Sec. 168(i)(9) defines the general requirements a taxpayer must meet to be considered as using the normalization method of accounting. First, the taxpayer must use (i) the same method of depreciation to compute both its tax expense and its depreciation expense to establish its cost of service for ratemaking purposes and to reflect operating results in its regulated books of accounting, and (ii) a recovery period that is no shorter than the useful life is used in determining depreciation for ratemaking purposes. Second, the difference between the actual tax expense computed using tax depreciation and the tax expense determined for ratemaking purposes must be reflected in a deferred tax reserve. Third, in determining the rate of return of a public utility, the public utility commission may not exclude from the rate base an amount that exceeds the addition to the deferred tax reserve for the period used in determining the tax expense for ratemaking purposes. Fourth, the utility may not use an "inconsistent" procedure or adjustment. A procedure or adjustment is "inconsistent" if it employs an estimate or projection with respect to a utility's (i) tax expense, (ii) depreciation expense, or (iii) reserve for deferred taxes, unless such estimate or projection is also used with respect to the other two items and rate base. If a taxpayer fails to satisfy any one of these requirements, it ceases to qualify for accelerated depreciation, and must compute depreciation using the straight-line method over the asset's regulatory life.

Q. How does the normalization method of accounting apply in the ratemaking context?

A. A utility's federal income tax expense is an element of the utility's cost of service. The first requirement of the normalization rules requires the utility to calculate the federal income tax expense included in its cost of service using the same method of depreciation it uses for financial statement purposes, i.e. straight-line depreciation. The difference between the utility's actual federal income tax expense and the federal income tax expense included in its cost of service related to the use of accelerated depreciation for federal income tax purposes is tracked in a deferred income tax reserve account. Typically, the use of accelerated depreciation results in a deferred income tax expense and a corresponding deferred income tax liability, i.e., the current federal income tax payable is less than the total federal income tax expense included in cost of service, which includes both current and deferred income taxes. The deferred tax expense associated with accelerated depreciation is equivalent to ratepayer-funded cost-free capital, until the deferred tax is owed to the Internal Revenue Service. Because a utility may not earn a rate of return on the ratepayer-funded capital, the deferred tax liability reduces the utility's rate base.

Q. What happens when the use of accelerated depreciation results in a federal net operating loss?

A. When the use of accelerated depreciation results in a net operating loss ("NOL"), the NOL creates a deferred income tax benefit and a corresponding deferred income tax asset. In that instance, the federal income tax expense included in cost of service includes the current federal income tax expense and includes deferred income tax expense reduced by the NOL. There is no deferred tax benefit associated with accelerated depreciation until the utility uses the NOL. Therefore, until the utility uses the NOL and realizes the deferred tax benefit associated with accelerated depreciation, the deferred tax asset is equivalent to an unfunded source of capital. Because the utility cannot invest the unfunded capital until it receives the funds, the utility must make additional investments using its own equity. Thus, the deferred tax asset increases the utility's rate base.

Q. How do the normalization rules address the deferred tax asset associated with an NOL created by the use of accelerated depreciation?

A. The normalization method of accounting requires the utility to include the deferred tax asset associated with an NOL created by the use of accelerated depreciation in the deferred tax reserve and, therefore in the rate base. In this instance, the utility is required to net the deferred tax asset with the deferred tax liability related to the use of accelerated depreciation in prior years, i.e., the deferred tax asset reduces the deferred tax liability that is used as a rate base offset.

Q. What specific sections of the normalization rules mandate the inclusion of the deferred tax asset associated with a NOL created by the use of accelerated depreciation in rate base?

A. Treas. Reg. Sec. 1.167(i)-(1)(h)(1)(iii) states that NOLs associated with the use of accelerated depreciation must be considered when applying the normalization rules. Treas. Reg. Sec. 1.167(i)-(1)(h)(6)(i), the third normalization requirement I mentioned earlier, prohibits the public utility commission from excluding an amount from the rate base that exceeds the addition to the deferred tax reserve for the period used in determining the tax expense for ratemaking purposes. Because the deferred tax reserve reduces rate base, excluding a NOL attributable to accelerated depreciation from the deferred tax reserve would cause the public utility commission to exclude an amount from rate base that exceeds the maximum allowed as a rate base offset, thereby causing a normalization violation. Thus, a NOL attributable to accelerated depreciation must be taken into account in calculating the amount of the deferred tax reserve, if the utility wishes to claim accelerated depreciation.

Q. Has the IRS issued guidance that requires a taxpayer to include the deferred tax asset associated with a NOL created by the use of accelerated depreciation in rate base?

A. Yes, the IRS has issued several rulings on this issue. Six recent rulings are Private Letter Ruling ("PLR") 201519021 (February 4, 2015), PLR 201534001 (May 13, 2015), PLR 201548017 (November 27, 2015), PLR 201438003 (September 19, 2014), PLR 201436037 (May 22, 2014) and PLR 201436038 (May 22, 2014). In those rulings, the IRS explicitly stated that excluding a NOL attributable to accelerated depreciation from the deferred tax reserve would cause the public utility commission to exclude an amount from rate base that exceeds the addition to the deferred tax reserve, thereby causing a normalization violation.

Q. Does the IRS require the use of a specific method to determine the amount of the deferred tax asset included in rate base, i.e., the portion of an NOL that related to the difference between accelerated depreciation and financial statement depreciation?

A. Treas. Reg. Sec. 1.167(i)-(1)(h)(1)(iii) requires the consideration of a NOL associated with the use of accelerated depreciation when applying the normalization rules but it does not specify a method for including the NOLs in rate base. Rather, it states that the amount and time of the deferral of tax liability related to NOLs shall be taken into account in such appropriate time and manner as is satisfactory to the district director. Nevertheless, for the past several years, the IRS has consistently ruled that a taxpayer should use the “with and without” method to determine the portion of a NOL associated with the use of accelerated depreciation that a utility should include in its rate base. Moreover, in PLRs 201436037 and 201436038 (cited above) the IRS explicitly stated that “any method other than the ‘with and without’ method would not provide the same level of certainty [that the benefits of acceleration would not be flowed-through to ratepayers] and therefore the use of any other methodology is inconsistent with the normalization rules.” Thus, the “with and without” is the appropriate method to determine the portion of a NOL associated with the use of accelerated depreciation that a utility should include in its rate base.

Q. How does a utility determine the portion of an NOL that related to the difference between accelerated depreciation and financial statement depreciation using the "with and without" method?

A. Under the "with and without" methodology, a NOL is attributable to accelerated depreciation to the extent of the lesser of the accelerated depreciation or the NOL. In other words, if the NOL exceeds the amount of accelerated depreciation, the portion of the NOL attributable to accelerated depreciation is equal to the amount of accelerated depreciation. If the NOL is less than the amount of accelerated depreciation, the entire NOL is considered attributable to accelerated depreciation.

Q. What are the consequences of a normalization violation?

A. If the utility fails to use the normalization method of accounting, the utility may not claim accelerated depreciation on any of its public utility property. Congress intentionally made the consequences of a normalization violation severe to both the utility and the ratepayers to deter regulators from attempting to flow through the benefit of accelerated depreciation to ratepayers. If a utility commits a normalization violation, the utility must revert to the same method of depreciation it uses to prepare its regulated books of account from the date of the violation until the utility remedies the violation. The effect of reverting to book depreciation is that the income tax expense in a utility's rates will be based upon the utility's actual income tax. Therefore, no amount of income tax is treated as ratepayer-funded capital and there is no reduction to rate base for deferred tax liabilities.

Q. Do the SJG Base Rate Case Filing tax schedules comply with the normalization rules?

A. Yes, the accumulated deferred tax balances provided in Schedule TSK-12A, attached to the Direct Testimony of Thomas S. Kavanaugh, and included in rate base in SJG's base rate case filing properly reflect the normalization requirement to include the NOL deferred tax asset associated with accelerated depreciation as an offset against the deferred tax liability that is used as a reduction to rate base.

Q. Does this conclude your testimony?

A. Yes, it does.