



Agenda Date: 09/23/16  
Agenda Item: 2M

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 3<sup>rd</sup> Floor, Suite 314  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

ENERGY

IN THE MATTER OF THE PETITION OF SOUTH )  
JERSEY GAS COMPANY FOR APPROVAL OF BASE )  
RATE ADJUSTMENTS PURSUANT TO THE STORM )  
HARDENING AND RELIABILITY PROGRAM ("SHARP") )  
 )  
 ) DOCKET NO. GR16040387

**Parties of Record:**

**Ira Megdal, Esq.**, Cozen O'Connor, P.C. on behalf of South Jersey Gas Company  
**Stefanie A. Brand, Esq.**, Director, New Jersey Division of Rate Counsel

BY THE BOARD:

On August 20, 2014, the New Jersey Board of Public Utilities ("Board") issued an Order<sup>1</sup>, approving an August 6, 2014 stipulation of settlement ("August 2014 Stipulation") establishing South Jersey Gas Company's ("SJG" or "Company") Storm Hardening and Reliability Program ("SHARP").

The SHARP Order provides:

- i) SHARP investments will be made over a three (3) year period ending June, 30, 2017, with project costs not to exceed \$34.5 million per year, plus or minus 15%, with a total cap of \$103.5 million, excluding Allowance for Funds Used During Construction ("AFUDC") over the three (3) year period;
- ii) Low pressure mains will be replaced by high pressure mains and associated services;

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<sup>1</sup> In the Matter of the Petition of South Jersey Gas Company for Approval of a Storm Harding and Reliability Program (SHARP) and Associated Recovery Mechanism, BPU Docket No. GO13090814, September 20, 2014. ("SHARP Order")

- iii) Fifty-two (52) regulator stations are to be eliminated and excess flow valves installed in specified municipalities;<sup>2</sup>
- iv) Incremental annual base rate adjustments are to be made effective on October 1, 2015, 2016 and 2017, based on applications filed in April which include the minimum filing requirements ("MFRs") described in Attachment A of the August 2014 Stipulation ("Annual Filing");
- v) SHARP projects must be incremental to the Company's regular construction budget for the period ending June 30, 2017, and in their totality will be subject to prudence review in the Company's next base rate case to be filed no later than October 1, 2017;
- vi) Annual revenue requirements and AFUDC are to be calculated in the manner described in paragraphs 25 and 28 of the August 2014 Stipulation, respectively; and
- vii) Base rate adjustments resulting from the Annual Filings will be provisional and subject to refund solely based on future finding by the Board that the Company imprudently incurred capital expenditures through the SHARP.

On April 30, 2015, the Company made its first Annual Filing with the Board in Docket No. GR15040496, seeking recovery of the revenue requirements associated with SHARP projects placed into service from July 1, 2014 through June 30, 2015. The Board authorized the first SHARP Rate Adjustment in Docket No. GR15040496 by Board Order dated September 11, 2015, with rates effective October 1, 2015. The revenue requirement authorized by that Order was \$4.0566 million (including Sales and Use Tax ("SUT")).

On April 29, 2016, the Company made its second Annual Filing ("Second Annual Filing") seeking recovery of the revenue requirements associated with SHARP projects placed into service from July 1, 2015 through June 30, 2016. In its Second Annual Filing, the Company provided actual SHARP investment data for the period July 1, 2015 through March 31, 2016 and forecasted data for the period April 1, 2016 through June 30, 2016. As part of its Second Annual Filing, the Company sought authority to recover SHARP revenue requirements of approximately \$4.4 million (including SUT) associated with actual and projected SHARP investments of approximately \$34.2 million, including AFUDC.

On July 15, 2016, the Company filed an update to its Second Annual Filing, providing a full year of actual SHARP investment data through June 30, 2016. This filing provided updated schedules supporting a revenue requirement of approximately \$4.3 million (including SUT) associated with approximately \$33.7 million of SHARP investments, including AFUDC, and also provided an updated proposed base rate adjustment. The impact of the rates proposed in the update to the typical residential heating customer using 100 therms of natural gas during a winter month would be an increase of \$1.18, or 1.0%.

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<sup>2</sup> The municipalities involved are Atlantic City, Ventnor City, Margate, Longport, Ocean City, Wildwood, North Wildwood, Wildwood Crest and West Cape May.

The revenue requirement (excluding SUT) based on the 6.26% after-tax WACC is \$4.036 million and calculated as follows:

SHARP - REVENUE REQUIREMENT		
as of June 30, 2016		'(000)
1	Plant in Service [incl. AFUDC]	\$33,721
2	Accumulated Depreciation	-88
3	Accumulated Deferred Tax	-\$956
4	SHARP Program Rate Base	\$32,677
5	After-Tax WACC Return	6.26%
6	Requirement	\$2,046
7	Depreciation Expense, Net of Tax	315
8	Revenue Recovery	\$2,361
9	Revenue Factor	1.8294
10	Revenue Requirement [excl. SUT]	\$4,036

Following notice, public hearings were held in this matter on August 22, 2016, in Voorhees, New Jersey. No members of the public appeared.

### **STIPULATION<sup>3</sup>**

After review of discovery, the Company, the New Jersey Division of Rate Counsel ("Rate Counsel") and Board Staff (collectively, "the Parties") discussed the issues in this matter, and on September 6, 2016, the Parties executed a stipulation of settlement ("Stipulation").

The key elements of the Stipulation are as follows:

- The revenue requirement associated with the approximately \$33.7 million of SHARP investments being rolled into base rates shall be approximately \$3.9 million, including Sales and Use Tax ("SUT").<sup>4</sup> The calculation of this revenue requirement is set forth on Schedule A, attached to the Stipulation.

<sup>3</sup> Although described in this Order, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusions of this Order.

<sup>4</sup> The difference in the revenue requirement from the after-tax \$4.3 million, as reflected in the July 15 update and the agreed upon \$3.9 million, relates to an Accumulated Deferred Income Tax/Net Operating Loss - sourced issue that will be addressed in SJG's next base rate case.

- The stipulated revenue requirement reflects consideration of the ADIT/NOL issue. The parties agree that the issue will be addressed more fully in South Jersey's next base rate case.
- The Company may implement the base rates set forth on Schedule B, attached to the Stipulation, effective October 1, 2016. The impact of these rates to the typical residential heating customer using 100 therms of natural gas during a winter month would be an increase of \$1.08, or 0.9%.
- The Parties agree that, pursuant to the SHARP Order, SHARP projects will be subject to a prudency review in the Company's next base rate case and the base rate adjustments agreed upon herein will be provisional and subject to refund solely based upon a future finding by the Board that SJG imprudently incurred capital expenditures through the SHARP.

### **DISCUSSION AND FINDINGS**

Based on the Board's careful review and consideration of the record in this proceeding, the Board **HEREBY FINDS** the Stipulation to be reasonable and in accordance with the law, striking an appropriate balance between the needs of customers and of the Company.

Accordingly, the Board **HEREBY ADOPTS** the Stipulation in its entirety, and **HEREBY INCORPORATES** its terms and conditions as though fully set forth herein.

The Board **HEREBY AUTHORIZES** the Company to provisionally recover in base rates the estimated annual revenue requirement of \$3.931 million (including SUT) tied to the second year of SHARP investments made through June 30, 2016 with the necessary rate adjustments to be effective for service rendered on and after October 1, 2016.

Based on the Stipulation, a typical residential heating customer using 100 therms of natural gas during a winter month will see an increase in their monthly bill of \$1.08, or 0.9%.

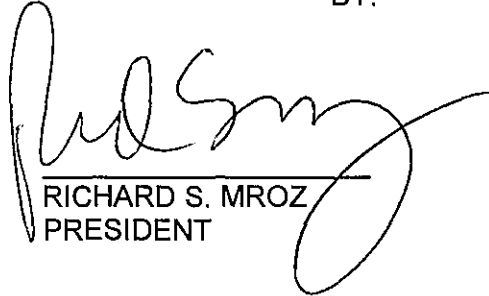
The Company is **HEREBY DIRECTED** to file tariff sheets conforming to the terms and conditions of this Order by October 1, 2016.

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

The effective date of this Order is October 1, 2016.

DATED: 9/23/16

BOARD OF PUBLIC UTILITIES  
BY:



RICHARD S. MROZ  
PRESIDENT



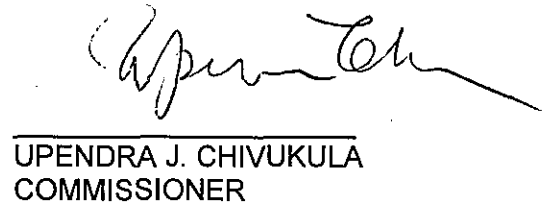
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MARY-ANNA HOLDEN  
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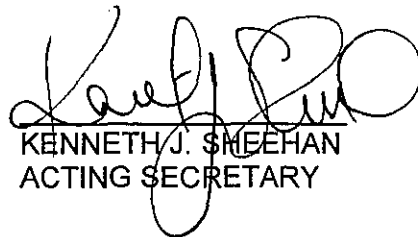


DIANNE SOLOMON  
COMMISSIONER



UPENDRA J. CHIVUKULA  
COMMISSIONER

ATTEST:



KENNETH J. SHEEHAN  
ACTING SECRETARY

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



IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY FOR APPROVAL  
OF BASE RATE ADJUSTMENTS PURSUANT TO THE STORM HARDENING AND  
RELIABILITY PROGRAM ("SHARP") - DOCKET NO. GR16040387

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**South Jersey Gas**

**Stacy A. Mitchell, Esq.**  
*Regulatory Affairs Counsel*

September 6, 2016

Irene Kim Asbury, Secretary  
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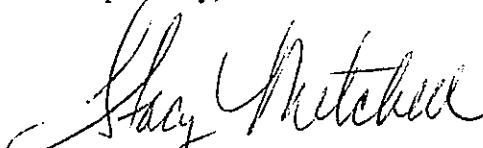
**Re: In the Matter of the Petition of South Jersey Gas Company for Approval of Base Rate Adjustments Pursuant to the Storm Hardening and Reliability Program ("SHARP") BPU Docket No. GR16040387**

Dear Secretary Asbury:

Enclosed please find a fully executed Stipulation of Settlement, with attachments, in the referenced matter.

It is South Jersey Gas Company's understanding that this matter will be heard at the Board's September 2016 Agenda meeting with an October 1, 2016 effective date.

Respectfully,



Stacy A. Mitchell

SAM:lvk  
Enclosure

cc: Service list (via email)

**IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY FOR  
APPROVAL OF BASE RATE ADJUSTMENTS PURSUANT TO THE STORM  
HARDENING AND RELIABILITY PROGRAM (“SHARP”)  
BPU DOCKET NO. GR16040387**

**SERVICE LIST**

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**STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES**

**IN THE MATTER OF THE BOARD'S ESTABLISHMENT :  
OF A GENERIC PROCEEDING TO REVIEW THE COSTS, : BPU DOCKET NO.  
BENEFITS AND RELIABILITY IMPACTS OF MAJOR : AX13030197  
STORM EVENT MITIGATION EFFORTS :**

**IN THE MATTER OF THE PETITION OF SOUTH :  
JERSEY GAS COMPANY FOR APPROVAL OF BASE : BPU DOCKET NO.  
RATE ADJUSTMENTS PURSUANT TO THE STORM : GR16040387  
HARDENING AND RELIABILITY PROGRAM :  
("SHARP") :**

**STIPULATION OF SETTLEMENT**

**APPEARANCES:**

**Ira G. Megdal, Esq.,** Cozen O'Connor, for Petitioner South Jersey Gas Company.

**Felicia Thomas-Friel, Esq.,** Deputy Rate Counsel, **Sarah H. Steindel, Esq.,** Assistant Deputy Rate Counsel, and **Maura Caroselli, Esq.,** Assistant Deputy Rate Counsel, for the New Jersey Division of Rate Counsel (**Stefanie A. Brand,** Director).

**Alex Moreau and Veronica Beke,** Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (**Christopher S. Porrino,** Attorney General of New Jersey).

**TO THE HONORABLE COMMISSIONERS OF THE BOARD OF PUBLIC UTILITIES:**

This Stipulation of Settlement addresses the Petition filed by South Jersey Gas Company ("SJG" or the "Company") with the New Jersey Board of Public Utilities (the "Board" or "BPU") on April 29, 2016, and subsequently updated on July 15, 2016, for base rate adjustments to provide for cost recovery associated with the Company's Storm Hardening and Reliability Program ("SHARP"), which was approved by the Board on August 20, 2014 in Docket Nos. AX13030197 and GO13090814.

## **I. BACKGROUND**

1. On March 20, 2013, the Board issued an Order initiating a generic proceeding (the "Storm Mitigation Proceeding") to investigate possible avenues to support and protect New Jersey's utility infrastructure so that it may be better able to withstand the effects of major storm events.

2. The Board's Order in the Storm Mitigation Proceeding found that it was appropriate 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.

3. On September 3, 2013, South Jersey filed a Petition with the Board seeking approval of a Storm Hardening and Reliability Program ("SHARP"). The Company proposed to invest approximately \$280 million in the replacement of low pressure distribution main and associated services with high pressure distribution main and associated services in certain coastal areas over a seven year period, to eliminate 52 regulator stations that would no longer be necessary, to install Excess Flow Valves and to utilize an associated recovery mechanism for the costs to be collected from ratepayers through an annual SHARP Rate Adjustment.

4. After notice and public hearings, on August 20, 2014 the Board approved a Stipulation entered into among the Company, Board Staff, the Division of Rate Counsel and the New Jersey Large Energy Users Coalition (collectively, the "Parties") approving the SHARP and setting forth the authorized investments and cost recovery mechanism to be utilized (the "SHARP Order")

5. The Stipulation approved by the Board provided that the SHARP will include the replacement of low pressure mains and associated services with high pressure mains and

associated services, the elimination of 52 regulator stations and the installation of Excess Flow Valves in the municipalities of Atlantic City, Ventnor City, Margate, Longport, Ocean City, Wildwood, North Wildwood, Wildwood Crest and West Cape May. The Stipulation also provided that the SHARP would not include the replacement of meters.

6. The Stipulation further provided that the SHARP would encompass a three (3) year period ending June 30, 2017, with project costs not to exceed \$34.5 million per year, plus or minus 15%, with a total cap of \$103.5 million, excluding Allowance for Funds Used During Construction ("AFUDC").

7. At the time the SHARP was approved by the Board, the Company had already commenced work on SHARP projects. In addition, at the time the SHARP was approved, the Company had a base rate case pending at the Board that utilized a test year ending June 30, 2014<sup>1</sup>. The SHARP Stipulation acknowledged that work associated with SHARP projects had already commenced and provided that those projects that were placed in-service as of June 30, 2014 would be recognized in the Company's then pending base rate case. The Stipulation further provided that the cost recovery mechanism described in the Stipulation would apply to SHARP projects placed in service after July 1, 2014.

8. Pursuant to the SHARP Stipulation, cost recovery for SHARP projects is effectuated by an annual adjustment to base distribution rates to take place on October 1 ("SHARP Rate Adjustment") accomplished through the Company's filing of annual Revenue Adjustment Filings ("Annual Filing").

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<sup>1</sup> 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. GR13111137, Order dated August 20, 2014.

## **II. PROCEDURAL HISTORY**

9. On April 30, 2015, the Company made its first Annual Filing (“First Annual Filing”) with the Board in Docket No. GR15040496, seeking recovery of the revenue requirements associated with SHARP projects placed into service from July 1, 2014 through June 30, 2015.

10. Following duly noticed public hearings, the Board authorized the first SHARP Rate Adjustment in Docket No. GR15040496 by Board Order dated September 11, 2015, with rates effective October 1, 2015. The revenue requirement authorized by that Order was \$4.0566 million (including SUT).

11. The Company made its second Annual Filing (“Second Annual Filing”) on April 29, 2016, seeking recovery of the revenue requirements associated with SHARP projects placed into service from July 1, 2015 through June 30, 2016. In its Second Annual Filing, the Company provided actual SHARP investment data for the period July 1, 2015 through March 31, 2016 and forecasted data for the period April 1, 2016 through June 30, 2016.

12. As part of its Second Annual Filing, the Company sought authority to recover SHARP revenue requirements of approximately \$4.4 million (including SUT) associated with actual and projected SHARP investments of approximately \$34.2 million, including AFUDC. The impact of the rates proposed in the Second Annual Filing, as they would apply to the typical residential heating customer using 100 therms of natural gas during a winter month, would be an increase of \$1.20, or 1.0%. The SHARP investments, revenue requirement and base rate adjustment were supported by the Direct Testimony of Paul Zuccarino, Vice President Distribution Operations, Kenneth Barcia, Manager of Rates and Revenue Requirements, and Michael Reno, Executive Director Ernst & Young, LLP.

13. On July 15, 2016, the Company filed an update to its Second Annual Filing, providing a full year of actual SHARP investment data through June 30, 2016. This filing provided updated schedules supporting a revenue requirement of approximately \$4.3 million (including SUT) associated with approximately \$33.7 million of SHARP investments, including AFUDC, and also provided an updated proposed base rate adjustment. The impact of the rates proposed in the update to the typical residential heating customer using 100 therms of natural gas during a winter month would be an increase of \$1.18, or 1.0%.

14. Following proper public notice, public hearings were held in this matter on August 22, 2016 in Voorhees, New Jersey. No members of the public appeared or spoke.

15. SJG has received and responded to all discovery requests that have been propounded in this proceeding by BPU Staff and the New Jersey Division of Rate Counsel ("Rate Counsel").

### **III. STIPULATED TERMS**

16. Upon review of the Second Annual Filing, the July 15, 2016 update, the accompanying Testimony and Schedules, and the Company's responses to written data requests, and after settlement discussions among the Company, Board Staff and Rate Counsel (collectively, the "Parties"), the Parties STIPULATE AND AGREE as follows.

17. The revenue requirement associated with the approximately \$33.7 million of SHARP investments being rolled into base rates shall be \$3,931,168, including Sales and Use Tax ("SUT"). The calculation of this revenue requirement is set forth on Schedule A, attached hereto.

18. The stipulated revenue requirement reflects consideration of the ADIT/NOL issue. The parties agree that the issue will be addressed more fully in South Jersey's next base rate case.

19. The Company may implement the base rates set forth on Schedule B, attached hereto, effective October 1, 2016. The impact of these rates to the typical residential heating customer using 100 therms of natural gas during a winter month would be an increase of \$1.08, or 0.9%.

20. The Parties agree that, pursuant to the SHARP Order, SHARP projects will be subject to a prudency review in the Company's next base rate case and the base rate adjustments agreed upon herein will be provisional and subject to refund solely based upon a future finding by the Board that SJG imprudently incurred capital expenditures through the SHARP.

#### **IV. MISCELLANEOUS**

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

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

23. This Stipulation may be executed in as many counterparts as there are signatories of this Stipulation, each of which counterparts shall be an original, but all of which shall constitute one and the same instrument.

**WHEREFORE**, the Parties hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety, in accordance with the terms hereof, as soon as reasonably possible.

**SOUTH JERSEY GAS COMPANY**

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

**CHRISTOPHER S. PORRINO**  
**ATTORNEY GENERAL OF NEW JERSEY**  
Attorney for Staff of the Board of Public Utilities

By: Alex Morgan  
Alex Morgan  
Deputy Attorney General

**DIVISION OF RATE COUNSEL**  
Stefanie Brand, Esq.  
Director

By: Sarah H. Steindel  
Sarah H. Steindel, Esq.  
Assistant Deputy Rate Counsel

Dated: September 6, 2016



**SOUTH JERSEY GAS COMPANY  
STORM HARDENING AND RELIABILITY PROGRAM ("SHARP")  
REVENUE REQUIREMENT**

Line No		
1	Actual Plant in Service as of June 30, 2016	\$33,594,039
2	AFUDC	<u>126,764</u>
3	Gross Plant in Service as of June 30, 2016	<u>33,720,803</u>
4		
5	Accumulated Depreciation	(353,447)
6		
7	Accumulated Deferred Tax	<u>(3,443,776)</u>
8		
9	SHARP Program Rate Base	29,923,580
10		
11	After-Tax WACC	<u>6.13%</u>
12		
13	Return Requirement	1,834,315
14		
15	Depreciation Expense, Net of Tax	<u>314,566</u>
16		
17	Revenue Recovery	2,148,881
18		
19	Revenue Factor	<u>1.82940</u>
20		
21	Total Revenue Requirement	<u>\$3,931,168</u>
22		
23	Total Revenue Requirement, excluding SUT	<u>\$3,673,989</u>
24		

**SOUTH JERSEY GAS COMPANY  
STORM HARDENING AND RELIABILITY PROGRAM ("SHARP")  
BASE AND TOTAL REVENUES AT PRESENT AND PROPOSED RATES**

Component	Amount	Units	Present Rates (Effective Oct 1, 2015)		Proposed Rates		
			Rate	Revenue	Rate	Revenue	Increase
			<u>RSG</u>		<u>RSG</u>		
<u>Residential Service</u>							
Customer Charge	4,055,511	Bills	\$ 9.00	\$ 36,499,599	\$ 9.00	\$ 36,499,599	
Distribution Charge	255,393,546	Therms	0.508012	129,998,380	0.519066	132,566,108	
CIP Revenues				-		-	
CIRT Revenues				-		-	
<b>Total Base Revenues</b>				<b>\$ 166,497,979</b>		<b>\$ 169,065,705</b>	<b>1.5%</b>

			<u>GSG</u>		<u>GSG</u>		
<u>General Service (0-100,000 Annual Therms)</u>							
Customer Charge	286,978	Bills	\$ 27.25	\$ 7,820,151	\$ 27.25	\$ 7,820,151	
Distribution Charge	95,087,060	Therms	0.405684	38,870,388	0.414224	39,387,342	
CIP Revenues				-		-	
CIRT Revenues				-		-	
<b>Total Base Revenues</b>				<b>\$ 46,490,536</b>		<b>\$ 47,207,493</b>	<b>1.5%</b>

			<u>GSG-LV</u>		<u>GSG-LV</u>		
<u>General Service Large Volume (100,000 + Annual Therms)</u>							
Customer Charge	2,063	Bills	\$ 150.00	\$ 309,450	\$ 150.00	\$ 309,450	
Demand Charge	204,557	Mcf	9.0000	1,841,013	9.0000	1,841,013	
Distribution Charge	31,185,054	Therms	0.221371	6,903,467	0.225846	7,043,082	
CIP Revenues				-		-	
CIRT Revenues				-		-	
<b>Total Base Revenues</b>				<b>\$ 9,053,930</b>		<b>\$ 9,193,545</b>	<b>1.5%</b>

**SOUTH JERSEY GAS COMPANY  
STORM HARDENING AND RELIABILITY PROGRAM ("SHARP")  
BASE AND TOTAL REVENUES AT PRESENT AND PROPOSED RATES**

<u>Component</u>	<u>Amount</u>	<u>Units</u>	<u>Present Rates (Effective Oct 1, 2015)</u>		<u>Proposed Rates</u>		
			<u>Rate</u>	<u>Revenue</u>	<u>Rate</u>	<u>Revenue</u>	<u>Increase</u>
			<u>CTS</u>		<u>CTS</u>		
<u>Comprehensive Firm Transportation Service</u>							
Customer Charge	580	Bills	\$ 800.00	\$ 348,000	\$ 800.00	\$ 348,000	
Demand Charge	148,155	Mcf	27.4213	4,062,603	27.4213	4,062,603	
Distribution Charge	27,954,358	Therms	0.036210	1,012,227	0.036202	1,095,867	
CIRT Revenues				-		-	
<b>Total Base Revenues</b>				<b>\$ 5,422,830</b>		<b>\$ 5,506,469</b>	<b>1.5%</b>
			<u>LVS</u>		<u>LVS</u>		
<u>Large Volume Service</u>							
Customer Charge	360	Bills	\$ 900.00	\$ 324,000	\$ 900.00	\$ 324,000	
Demand Charge	398,130	Mcf	14.8842	5,925,847	14.8842	5,925,847	
Distribution Charge	99,751,830	Therms	0.034570	3,448,421	0.036069	3,597,949	
CIRT Revenues				-		-	
<b>Total Base Revenues</b>				<b>\$ 9,698,267</b>		<b>\$ 9,847,796</b>	<b>1.5%</b>
			<u>EGS</u>		<u>EGS</u>		
<u>Electric Generation Service</u>							
Customer Charge	66	Bills	\$ 25.00	\$ 1,650	\$ 25.00	\$ 1,650	
Demand Charge	2,434	Mcf	6.500	15,821	6.5000	15,821	
Distribution Charge (Nov - Mar.)	89,990	Therms	0.115638	10,406	0.118172	10,634	
Distribution Charge (Apr - Oct.)	166,293	Therms	0.086838	14,241	0.088172	14,662	
CIRT Revenues				-		-	
<b>Total Base Revenues</b>				<b>\$ 42,118</b>		<b>\$ 42,768</b>	<b>1.5%</b>

**SOUTH JERSEY GAS COMPANY  
STORM HARDENING AND RELIABILITY PROGRAM ("SHARP")  
BASE AND TOTAL REVENUES AT PRESENT AND PROPOSED RATES**

<u>Component</u>	<u>Amount</u>	<u>Units</u>	<u>Present Rates (Effective Oct 1, 2015)</u>		<u>Proposed Rates</u>		
			<u>Rate</u>	<u>Revenue</u>	<u>Rate</u>	<u>Revenue</u>	<u>Increase</u>
			<u>EGS-LV</u>		<u>EGS-LV</u>		
<u>Electric Generation Service - Large Volume</u>							
Customer Charge	24	Bills	\$ 180.00	51,840	\$ 180.00	51,840	
Demand Charge	22,800	Mcf	19.435	443,128	19.770237	450,781	
Distribution Charge	3,373,811	Therms	-	-	-	-	
CIRT Revenues				-		-	
<b>Total Base Revenues</b>				<b>\$ 494,968</b>		<b>\$ 502,601</b>	<b>1.6%</b>

			<u>NGV</u>		<u>NGV</u>		
<u>Natural Gas Vehicle Service</u>							
Cust. Charge 0-999 CFH	12	Bills	\$ 37.50	\$ 450	\$ 37.50	\$ 450	
Cust. Charge 1,000-4,999 CFH	35	Bills	75.00	31,500	75.00	31,500	
Cust. Charge 5,000-24,999 CFH	12	Bills	200.00	28,800	200.00	28,800	
Cust. Charge 25,000+ CFH	36	Bills	600.00	259,200	600.00	259,200	
Distribution Charge	1,208,817	Therms	0.140252	169,230	0.146504	173,774	
Subtotal Distribution				<b>\$ 489,180</b>		<b>\$ 496,724</b>	<b>1.5%</b>
Compression Charge	883,510	Therms	0.5428	360,133	0.5428	360,133	
<b>Total Base Revenues</b>				<b>\$ 849,313</b>		<b>\$ 856,857</b>	

SOUTH JERSEY GAS COMPANY  
STORM HARDENING AND RELIABILITY PROGRAM ("SHARP")  
BASE AND TOTAL REVENUES AT PRESENT AND PROPOSED RATES

Component	Amount	Units	Present Rates (Effective Oct 1, 2016)		Proposed Rates		
			Rate	Revenue	Rate	Revenue	Increase
			<u>GLS</u>		<u>GLS</u>		
<u>Gas Lights Service</u>							
Yard Lights		12 Mantles	\$ 7.284754	\$ 1,050	\$ 7.407253	\$ 1,067	
Street Lights		431 Mantles	\$ 7.883853	40,672	\$ 7.985129	41,299	
<b>Total Base Revenues</b>				<b>\$ 41,722</b>		<b>\$ 42,366</b>	<b>1.5%</b>

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<b>TOTAL SYSTEM BASE DISTRIBUTION REVENUES</b>	<b>\$ 238,591,664</b>	<b>\$ 242,265,600</b>	<b>1.5%</b>
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<b>TOTAL SYSTEM INCLUDING OTHER REVENUES</b>	<b>\$ 238,591,664</b>	<b>\$ 242,265,600</b>	<b>1.5%</b>
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INCREASE		INCREASE	3,673,936
TARGET INCREASE		TARGET INCREASE	<u>3,673,989</u>
Difference		Difference	(\$53)