



NAME: DEBORAH M. FRANCO, ESQ.
TITLE: PARTNER
DIRECT DIAL: 973-849-9005
DFRANCO@CULLENANDDYKMAN.COM

RECEIVED
CASE MANAGEMENT

One Riverfront Plaza
Newark, New Jersey 07102

SEP 28 2018

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

September 27, 2018

Via Electronic Mail and FedEx

RECEIVED
MAIL ROOM

SEP 28 2018

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 3rd Fl., Suite 314
P.O. Box 350
Trenton, New Jersey 08625-0350

Re: **In the Matter of the Acquisition of Elizabethtown Gas, a Division of Pivotal Utility Holdings, Inc., by ETG Acquisition Corp., a Subsidiary of South Jersey Industries, Inc. and Related Transactions**
BPU Docket No. GM17121309

Dear Secretary Camacho-Welch,

On behalf of South Jersey Industries, Inc. and Elizabethtown Gas Company ("Elizabethtown"), we hereby submit an original and ten (10) copies of the 90-Day Compliance Filing ("Compliance Filing") required by the New Jersey Board of Public Utilities' ("Board") June 22, 2018 Order in the above-reference matter ("Acquisition Order").

This Compliance Filing includes the following:

- (1) **Appendix A** - A copy of the South Jersey Industries, Inc. and SJI Utilities, Inc. Cost Allocation Manual required by the Acquisition Order (at 10) and Stipulation (at ¶B. (iii)).
- (2) **Appendix B** – A copy of the Elizabethtown Gas Company Affiliate Standards Compliance Plan required by the Acquisition Order (at 10) and Stipulation (at ¶B. (iv)); and
- (3) **Appendix C (Confidential)** – An executed copy of the new asset management agreement between South Jersey Resources Group, LLC and Elizabethtown for the term April 1, 2019 through March 31, 2022 ("AMA Replacement Agreement") in accordance with the Acquisition Order (at 12) and Stipulation (at ¶ D. (iii) and (iv)).

CMS
Energy
Legal
DAG

The enclosed AMA Replacement Agreement is identical to the version attached as Appendix A to the Stipulation approved by the Acquisition Order, except for the following non-material changes: (1) the first page of the AMA Replacement Agreement and the Gas Purchase and Sale Agreement (“GPSA”) were updated to indicate an effective date of April 1, 2019 (shown in redline form);¹ (2) the signature blocks of the AMA Replacement Agreement and GPSA were updated to include the names and titles of the signatories; and (3) AMA Replacement Agreement Exhibit A Parts I and II were updated to reflect the new contract numbers assigned by the pipelines as a result of the acquisition of Elizabethtown; the header to this exhibit was also updated to indicate that the list is as of March 31, 2019.

Appendix C to the Compliance Filing is proprietary and confidential. Accordingly, this filing contains only the public version of the Compliance Filing. On this same day, a filing is being made pursuant to the Open Public Records Act (*N.J.S.A. 47:1A-1 et seq.* and *N.J.A.C. 14:1-12.1 et seq.*) that will contain the full confidential version of this Compliance Filing.²

In addition, Elizabethtown has entered into a three-hundred and sixty-four (364) day syndicated term facility in accordance with the terms required by the Acquisition Order (at 11) and Stipulation (¶ C.(iv)) and the Board’s June 22, 2018 Order in BPU Docket No. GF18050512.

Further, as required by the Acquisition Order (at 5-6) and Stipulation (¶ A.(v)a.), the issuance of the one-time \$15 million bill credit required to be provided to all of Elizabethtown's then current customers served under Service Classifications RDS, SGS, GOS, LVD, EGF, GLS, CSI, IS, CS, FTS, NGV and ITS within ninety (90) days of the Closing of the Acquisition began with the billing cycle on August 27, 2018 and all credits will be applied by September 30, 2018.

Finally, the employee baseline report setting forth the number of employees by position and function at Elizabethtown as required by the Acquisition Order (at 8) and associated Stipulation (at ¶ A.(vi)c.) will be filed under separate cover as a supplement to this submission.

Copies of the Compliance Filing have been served electronically on all parties. Kindly acknowledge receipt of this letter by date stamping and returning the designated copy in the enclosed self-addressed envelope.

Should you have any questions concerning this matter, please feel free to contact the undersigned.

Respectfully submitted,



Deborah M. Franco

Cullen and Dykman LLP

Of Counsel to Elizabethtown Gas Company

cc: Service List w/ enclosures

¹ The GPSA is Exhibit C to the AMA Replacement Agreement.

² Accordingly, the enclosed Compliance Filing is marked “Preliminary Public Copy,” where applicable.

RECEIVED
CASE MANAGEMENT

IN THE MATTER OF THE ACQUISITION OF ELIZABETHTOWN GAS, A DIVISION
OF PIVOTAL UTILITY HOLDINGS, INC. BY ETG ACQUISITION CORP., A
SUBSIDIARY OF SOUTH JERSEY INDUSTRIES, INC. AND RELATED
TRANSACTIONS

BPU DOCKET NO. GM17121309

SEP 28 2018

BOARD OF PUBLIC UTILITIES

BOARD OF PUBLIC UTILITIES

SERVICE LIST

SEP 28 2018

NJ BOARD OF PUBLIC UTILITIES

MAIL RECEIVED

Aida Camacho, Secretary
NJ Board of Public Utilities
44 South Clinton Avenue, 3rd Floor
P. O. Box 350
Trenton, NJ 08625-0350
Aida.Camacho@bpu.nj.gov

Lauren Mattox
Division of Reliability & Security
NJ Board of Public Utilities
44 South Clinton Avenue, 3rd Floor
P. O. Box 350
Trenton, NJ 08625-0350
lauren.mattox@bpu.nj.gov

Stacy Peterson
Division of Energy
NJ Board of Public Utilities
44 South Clinton Avenue, 3rd Floor
P. O. Box 350
Trenton, NJ 08625-0350
stacy.peterson@bpu.nj.gov

James Giuliano, Director
Division of Reliability & Security
NJ Board of Public Utilities
44 South Clinton Avenue, 3rd Floor
P. O. Box 350
Trenton, NJ 08625-0350
james.giuliano@bpu.nj.gov

Jacqueline Galka
Division of Energy
NJ Board of Public Utilities
44 South Clinton Avenue, 3rd Floor
P. O. Box 350
Trenton, NJ 08625-0350
jacqueline.galka@bpu.nj.gov

Megan Lupo, Legal Specialist
NJ Board of Public Utilities
44 South Clinton Avenue, 3rd Floor
P. O. Box 350
Trenton, NJ 08625-0350
megan.lupo@bpu.nj.gov

Andrea Reid
Division of Energy
NJ Board of Public Utilities
44 South Clinton Avenue, 3rd Floor
P. O. Box 350
Trenton, NJ 08625-0350
andrea.reid@bpu.nj.gov

Alice Bator
Audits
NJ Board of Public Utilities
44 South Clinton Avenue, 3rd Floor
P. O. Box 350
Trenton, NJ 08625-0350
alice.bator@bpu.nj.gov

Michael Stonack
Division of Reliability & Security
NJ Board of Public Utilities
44 South Clinton Avenue, 3rd Floor
P. O. Box 350
Trenton, NJ 08625-0350
michael.stonack@bpu.nj.gov

Jackie O'Grady
Economist's Office
NJ Board of Public Utilities
44 South Clinton Avenue, 3rd Floor
P. O. Box 350
Trenton, NJ 08625-0350
jackie.ogrady@bpu.nj.gov

Dr. Son Lin Lai
Economist's Office
NJ Board of Public Utilities
44 South Clinton Avenue, 3rd Floor
P. O. Box 350
Trenton, NJ 08625-0350
son.lai@bpu.nj.gov

Paul Flanagan
NJ Board of Public Utilities
44 South Clinton Avenue, 3rd Floor
P. O. Box 350
Trenton, NJ 08625-0350
paul.flanagan@bpu.nj.gov

David Brown
NJ Board of Public Utilities
44 South Clinton Avenue, 3rd Floor
P. O. Box 350
Trenton, NJ 08625-0350
david.brown@bpu.nj.gov

Heather Weisband
NJ Board of Public Utilities
44 South Clinton Avenue, 3rd Floor
P. O. Box 350
Trenton, NJ 08625-0350
Heather.weisband@bpu.nj.gov

Benjamin Witherell
NJ Board of Public Utilities
44 South Clinton Avenue, 3rd Floor
P. O. Box 350
Trenton, NJ 08625-0350
Benjamin.witherell@bpu.nj.gov

DIVISION OF RATE COUNSEL

Stefanie A. Brand, Esq., Director
Division of Rate Counsel
140 East Front Street, 4th Floor
P.O. Box 003
Trenton, NJ 08625
sbrand@rpa.nj.gov

Felicia Thomas-Friel, Managing Attorney
Division of Rate Counsel
140 East Front Street, 4th Floor
P.O. Box 003
Trenton, NJ 08625
fthomas@rpa.nj.gov

Kurt Lewandowski
Division of Rate Counsel
140 East Front Street, 4th Floor
P.O. Box 003
Trenton, NJ 08625
klewando@rpa.nj.gov

Henry M. Ogden, Esq.
Division of Rate Counsel
140 East Front Street, 4th Floor
P.O. Box 003
Trenton, NJ 08625
hogden@rpa.nj.gov

Brian O. Lipman, Litigation Manager
Division of Rate Counsel
140 East Front Street, 4th Floor
P.O. Box 003
Trenton, NJ 08625
blipman@rpa.nj.gov

Maura Caroselli, Esq.
Division of Rate Counsel
140 East Front Street, 4th Floor
P.O. Box 003
Trenton, NJ 08625
mcaroselli@rpa.nj.gov

Shelly Massey
Division of Rate Counsel
140 East Front Street, 4th Floor
P.O. Box 003
Trenton, NJ 08625
smassey@rpa.nj.gov

RATE COUNSEL CONSULTANTS

Maximilian Chang
Synapse Energy Economics, Inc.
485 Massachusetts Avenue Suite 2
Cambridge, MA 02139
mchang@synapse-energy.com

David Peterson
Chesapeake Regulatory
Consultants, Inc.
10351 Southern Maryland Blvd.
Suite 202
Dunkirk, MD 20754-9500
davep@chesapeake.net

John Rosenkranz
North Side Energy
56 Washington Drive
Acton, MA 01720
jrosenkranz@verizon.net

Dante Mugrace, Senior Consultant
PCMG and Associates
90 Moonlight Court
Toms River, New Jersey 08753
dmugrace@pcmgregcon.com

Matthew I. Kahal
Exeter Associates, Inc.
1108 Pheasant Crossing
Charlottesville, VA 22901
mkahal@exeterassociates.com

Jessica O. Rozier
111 N. Oragne Avenue
Suite 750
Orlando, FL 32801
Jessica.rozier@dgsassociates.com

Terry Myers
Terry.myers@gdsassociates.com

Patrick Brin
Patrick.brin@gdsassociates.com

DIVISION OF LAW

Alex Moreau, DAG
Dept. of Public Law & Public Safety
Division of Law
P. O. Box 45029
Newark, NJ 07101
alex.moreau@law.njoag.gov

Geoffrey Gersten, DAG
Dept. of Public Law & Public Safety
Division of Law
P. O. Box 45029
Newark, NJ 07101
Geoffrey.Gersten@law.njoag.gov

Caroline Vachier, DAG
Dept. of Public Law & Public Safety
Division of Law
P. O. Box 45029
Newark, NJ 07101
Caroline.Vachier@law.njoag.gov

Jason Andersen, Paralegal
Dept. of Public Law & Public Safety
Division of Law
P. O. Box 45029
Newark, NJ 07101
Jason.Andersen@law.njoag.gov

SJI

Steven R. Cocchi, Chief
Strategy & Development Officer
South Jersey Gas Company
One South Jersey Plaza
Folsom, NJ 08037
scocchi@sjindustries.com

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

Carolyn A. Jacobs
Regulatory Compliance Specialist
Rates & Regulatory Affairs
South Jersey Gas Company
One South Jersey Plaza
Folsom, NJ 08037
cjacobs@sjindustries.com

Christine Soares, Esq.
Cozen O'Connor P.C.
Liberty View Bldg, Suite 300
457 Haddonfield Road
Cherry Hill, NJ 08002
csoares@cozen.com

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

Elizabethtown Gas

Mary Patricia Keefe, Esq.
Elizabethtown Gas Company
520 Green Lane
Union, NJ 07083
mkeefe@sjindustries.com

Susan Potanovich
Elizabethtown Gas Company
520 Green Lane
Union, NJ 07083
spotanovich@sjindustries.com

Len Willey
Elizabethtown Gas Company
520 Green Lane
Union, NJ 07083
lwilley@sjindustries.com

Erica McGill, Esq.
Southern Company Gas
Ten Peachtree Place
Atlanta, GA 30309
ermcgill@southernco.com

Brian MacLean
Elizabethtown Gas
520 Green Lane
Union, NJ 07083
bmaclean@sjindustries.com

Christopher Hale Demko, Esq.
Southern Company
30 Van Allen Jr. Blvd.
Atlanta, GA 30308
chdemko@southernco.com

Kenneth T. Maloney, Esq.
Cullen & Dykman
1101 14th Street, NW, Suite 750
Washington, DC 20005
kmaloney@cullenanddykman.com

Deborah Franco, Esq.
Cullen & Dykman LLP
One Riverfront Plaza
Newark, NJ 07102
dfranco@cullenanddykman.com

PSE&G

Joseph F. Accardo, Jr.
Deputy General Counsel
PSEG Services Corporation
80 Park Plaza, T5G
Newark, NJ 07102
Joseph.AccardoJr@pseg.com

Danielle Lopez, Esq.
Assistant General Regulatory Counsel
PSEG Services Corporation
80 Park Plaza, T5G
Newark, NJ 07102
Danielle.Lopez@pseg.com

Michele Falcao
Michele.Falcao@pseg.com

Caitlyn White
Caitlyn.White@pseg.com

Bernard Smalls
Bernard.Smalls@pseg.com

NJLUEC

Steven S. Goldenberg, Esq.
Fox Rothschild LLP
997 Lennox Drive, Bldg. 3
Lawrenceville, NJ 08648
sgoldenberg@foxrothschild.com

Paul F. Forshay, Esq.
Eversheds-Sutherland (US), LLP
700 Sixth Street, N.W., Suite 700
Washington, DC 20001
paulforshay@eversheds-sutherland.com

Appendix A

Cost Allocation Manual



Cost Allocation Manual ("CAM")

South Jersey Industries, Inc.

SJI Utilities, Inc.

September 2018

Table of Contents

Section	Subject	Page
1	Introduction	3
2	Procedures for Updating the CAM	3-4
3	Definitions	4-5
4	Cost Allocation Principles	5
5	Organizational Structure	6
6	Cost Apportionment Methodology	6
7	Description of Products and Services Provided To and From South Jersey Gas, Elizabethtown Gas, Elkton Gas, SJIU and Each of Its Affiliates	6-12
8	Management Service Fees	12-14
9	Time Reporting Procedures	14-15
10	Non-Labor Costs	15-17
11	Recording of Transactions and Intercompany Invoicing	18
12	Distribution	18
Exhibit A	CAM – Standard Form	
Exhibit B	Organization Charts	

1. Introduction

The provision of administrative services to and from South Jersey Gas (“South Jersey Gas” or “SJG”), Elizabethtown Gas (“Elizabethtown Gas” or “ETG”), Elkton Gas (“Elkton Gas” or “ELK”) and each of its affiliates, including South Jersey Industries, Inc. (the “Company” or “SJI”) are specified in the Master Services Agreements (“MSAs”). SJI Utilities, Inc. (“SJIU”) also provides services to SJG, ETG and ELK pursuant to the Shared Services Agreements (“SSAs”). Collectively, the services provided pursuant to the MSAs and SSAs are summarized in Section 7 below.

The purpose of this Cost Allocation Manual (“CAM”) is to prescribe the manner in which costs will be charged to South Jersey Gas, Elizabethtown Gas, Elkton Gas and the non-regulated affiliates. The prevailing premise of this CAM is to ensure that allocation methods do not result in subsidization of non-regulated services or products by regulated entities, or among the regulated entities, unless specifically authorized by the New Jersey Board of Public Utilities (the “Board” or “NJBP”) or the Maryland Public Service Commission (the “Commission” or “PSC”).

The guidelines provided for in this CAM serve to lessen the possibility of subsidization in order to protect South Jersey Gas, Elizabethtown Gas and Elkton Gas ratepayers and to help preserve competition in the gas supply and related competitive services markets. The guidelines also provide flexibility to accommodate exceptions where the outcome is in the best interest of any utility, its ratepayers and competition.

New Jersey

In New Jersey, the Electric Discount and Energy Competition Act (“EDECA”) and its implementing regulations (the “Affiliate Standards Regulations”) require that:

- Transfers of services not produced, purchased or developed for sale on the open market by the electric and/or gas public utility from the electric and/or gas public utility to related competitive business segments of its public utility holding company shall be priced at fully allocated cost.
- Transfers of services not produced, purchased or developed for sale on the open market by a related competitive business segment of the public utility holding company from that related competitive business segment of the public utility holding company to the electric and/or gas public utility shall be priced at the lower of fully allocated cost or fair market value.

Maryland

Pursuant to Maryland PSC’s regulations, COMAR 20.40.02.07 and 08A, a utility shall ensure that all costs shared with an affiliate, including the methodology and procedure used to allocate costs, shall be filed with the PSC in the form of a Cost Allocation Manual which justifies each charge.

2. Procedures for Updating the CAM

Responsibility for establishing and updating specific cost items included in the CAM is assigned to the department responsible for the cost and most familiar with specific cost causation factors. The Controller has overall responsibility for maintaining the cost allocation procedures and ensuring compliance with these procedures as well as approving specific cost allocation factors.

A standard form (see **Exhibit A**) is used to describe and document the product or service cost to be allocated and the cost allocation methodology to be used to ensure the consistent application of this procedure. Exhibits and illustrative examples should be attached to this form if needed. Completed forms must be signed by the appropriate department head indicating approval of the allocation

process described therein. The completed form must then be submitted to the Controller for review and approval prior to being added to the CAM.

The Controller is responsible for distributing copies of new or updated CAM procedures to all holders of the CAM.

3. Definitions

- a. **Affiliates** – companies that are related to each other due to common ownership or control.
- b. **Board** – the New Jersey Board of Public Utilities (NJBPU) or any successor agency.
- c. **Commission** – the Maryland Public Service Commission (PSC) or any successor agency.
- d. **Competitive Service** – any services, goods or products offered by an electric public utility or gas public utility that the Board has already determined, or that the Board shall in the future determine to be competitive pursuant to Section 8 or Section 10 of EDECA or that is not regulated by the Board.
- e. **Cost Allocation Manual (CAM)** – an indexed compilation and documentation of the Company's and SJIU's cost allocation policies and related procedures.
- f. **Cost Allocations** – the methods or ratios used to apportion costs. A cost allocator can be based on the origin of costs, as in the case of cost drivers; cost-causative linkage of an indirect nature; or one or more overall factors (also known as general allocators).
- g. **Common Costs** – cost associated with services or products that are of joint benefit between regulated and non-regulated business units, or among the regulated business units.
- h. **Cost Driver** – a measurable event or quantity which influences the level of costs incurred and which can be directly traced to the origin of the costs themselves.
- i. **Cross-subsidization** – the offering of a competitive product and/or service by an electric and/or gas public utility, or the offering of a product and/or service by an affiliate, which relies in whole or in part on the utilization of utility employees, equipment or other assets, and for which full compensation (via cost allocation or direct payment), as determined by the Board, has not been provided for the use of such electric and/or gas public utility assets, resulting in the inappropriate transfer of benefits from the utility ratepayers to the competitive product and/or service or affiliate.
- j. **Direct Costs** – costs which can be specifically identified with a particular service or product.
- k. **EDECA** – the "Electric Discount and Energy Competition Act" (P.L. 1999, c.23), *N.J.S.A. 48:3-49 et seq.*
- l. **Fully allocated Costs** – the sum of the direct, indirect and other economic costs of all equipment, vehicles, labor, related fringe benefits and overheads, real estate, furniture, fixtures and other administrative resources utilized, and other assets utilized and costs incurred, directly or indirectly in the providing of services from the utility to an affiliate.
- m. **Incremental Pricing** – pricing services or products on a basis of only the additional costs added by their operations while one or more pre-existing services or products support the fixed costs.
- n. **Indirect Costs** – costs that cannot be identified with a particular service or product. This included but is not limited to overhead costs, administrative and general, and taxes.

- o. **Non-Regulated** – those entities, products and services which are not subject to regulation by the Board or the Commission.
- p. **Prevailing Market Pricing** – a generally accepted market value that can be substantiated by clearly comparable transactions, auction or appraisal.
- q. **Regulated** – that which is subject to regulation by the Board or the Commission.
- r. **Shared Services** – administrative and support services that do not involve merchant functions, including by way of example: payroll, taxes, shareholder services, insurance, financial reporting, financial planning and analysis, corporate accounting, corporate security, human resources (compensation, benefits, employment practices), employee records, regulatory affairs, lobbying, legal, and pension management.
- s. **Subsidization** – the recovery of costs from one class of customers or business unit that are attributable to another.
- t. **Tariff Based Pricing** – prices that are pre-approved by and on file with the Board or the Commission. These prices apply to all customers of the utilities.

4. Cost Allocation Principles

The following allocation principles will be used whenever products or services are provided between South Jersey Gas, Elizabethtown Gas, and/or Elkton Gas and its non-regulated affiliates, and among SJG, ETG and ELK.

- a. If only one affiliate, entity, division, or service causes a cost to be incurred or benefits from a cost, that cost shall be directly assigned to that affiliate, entity, division, service or jurisdiction. Direct assignment should be performed whenever practicable and is preferred over allocation.
- b. The general method for charging indirect costs should be on a fully allocated cost basis. Under appropriate circumstances, the NJBPU or PSC may consider incremental cost, prevailing market pricing or other methods for allocating costs and pricing transactions among affiliates.
- c. To the extent possible, all direct and allocated costs between regulated and non-regulated services and products should be traceable on the books of the applicable regulated utility to the applicable Uniform System of Accounts. Documentation should be made available to the appropriate regulatory authority upon request regarding transaction among affiliates.
- d. The allocation methods should apply to South Jersey Gas', Elizabethtown Gas' and Elkton Gas' affiliates in order to prevent subsidization from, and ensure equitable cost sharing among the regulated entity and its affiliates, and vice versa.
- e. All costs should be classified to services or products which, by their very nature, are either regulated, non-regulated, or common to both.
- f. The primary cost driver of common costs, or a relevant proxy in the absence of a primary cost driver, should be identified and used to allocate the cost between regulated and non-regulated services or products.
- g. The indirect costs of each business unit, including the allocated costs of shared services, should be spread to the services or products to which they relate using relevant cost allocators.

5. Organizational Structure

See **Exhibit B** for organization charts of SJI Business Segments by entity and SJI Internal Services by entity.

6. Cost Apportionment Methodology

Costs are defined into the four categories for purposes allocating the costs of products and services to South Jersey Gas, Elizabethtown Gas, Elkton Gas and its affiliates. These four cost categories are:

Directly Assignable – Expenses incurred for activities and services exclusively for the benefit of South Jersey Gas, Elizabethtown Gas, Elkton Gas and its affiliates.

Directly Attributable – Expenses incurred for activities and services that benefit more than one affiliate and which can be allocated based on direct measure of cost causation.

Indirectly Attributable – Expenses incurred for activities and services that benefit more than one affiliate and which can be allocated based on general measures of cost causation.

Unattributable – Expenses incurred for activities or services that have been determined as not appropriate for apportionment. These costs relate primarily to activities such as corporate diversification, political or philanthropic endeavors and, as such are charged directly to South Jersey Industries.

It is expected that the majority of costs charged to South Jersey Gas, Elizabethtown Gas, Elkton Gas or their affiliates will be based on the direct assignment of costs and that costs indirectly attributable to South Jersey Gas, Elizabethtown Gas, Elkton Gas or their affiliates will represent the smallest category of costs.

7. Description of Products and Services Provided to and Among South Jersey Gas, Elizabethtown Gas, Elkton Gas, SJIU and Each of their Affiliates.

South Jersey Industries

SJI, the holding company for South Jersey Gas, Elizabethtown Gas and Elkton Gas and its affiliates, is comprised of the following functional areas. These functions provide corporate support services for the entire organization.

- Corporate Counsel and Secretary
- Investor Relations
- Strategic and Financial Planning
 - Translating corporate strategy into financial and operational objectives through the balanced scorecard process, and developing and maintaining internal performance metrics and benchmarks;
 - Coordinating the annual planning process and preparing reports for senior executives and the board of directors;
 - Developing and maintaining the status of new revenue generating initiatives;
 - Monitoring industry trends and analyzing strategic market opportunities;
 - Economic analysis and due diligence for potential acquisitions;
 - Corporate budgeting and financial analysis; and financial forecasting and capital allocation analysis.

- Accounting
 - Quarterly and annual consolidation of financial data for SJI and its subsidiaries;
 - Technical accounting research on GAAP and SEC reporting requirements;
 - Preparation, review and verification of reporting to senior management and the board of directors; and,
 - Supervising the general accounting (general ledger activities) of the parent, and subsidiaries, EMI, R&T and SJF.
 - Tax preparation, planning and consulting services
- Risk Management
 - Financial modeling to quantify and monitor the company's market risk, credit risk, earnings risk and cash flow risk exposure;
 - Setting and maintaining credit limits for the wholesale and retail businesses;
 - Maintaining margin account cash requirements by funding accounts as necessary;
 - Measuring, monitoring and reporting risk metrics and trading limits;
 - Ensuring forward physical transactions are confirmed with counterparties and validate forward transaction market prices;
 - Performing risk assessment reviews of gas and other contracts;
 - Developing and managing ISDA agreements, master credit list, credit approval requirements, a rating database for trading counterparties and listing of corporate guarantees.
- Internal Auditing
- Environmental Affairs
 - Managing compliance programs and administering remediation of former manufactured gas plant facilities.
- Insurance
 - Evaluate and obtain coverage for risks the company chooses to insure externally.
 - Manage the company's self-insurance program.
 - Review and analyze the performance of insurance policies and programs.
 - Evaluate insurance claims against the company.
 - Process claims [on behalf of and against the company] with outside adjusters and attorneys.
 - Review contracts for risk and insurance-related issues and make appropriate recommendations to avoid or mitigate risk.
 - Identify and quantify risk exposures.
 - Develop and enforce workers compensation loss prevention measures.
 - Develop a contractor damage program.
 - Determine that vendors have proper insurance certificates with required endorsements.
- Shareholder Records
 - Daily maintenance of shareholder master files
 - Updating accounts for funds adjustments and dividend reinvestment withdrawals and terminations
 - Performing research, responding to shareholder inquiries, proxy tabulations and assistance with dividend checks.
 - Managing the relationship with our Transfer Agent
 - Responding to shareholder inquiries, including those related to the Direct Stock Purchase Plan and Dividend Reinvestment Plan
 - Managing equity raised through the Direct Stock Purchase Plan and Dividend Reinvestment Plan
 - Administration of shares related to the Long-Term Incentive Plan (LTIP)
- Treasury (Cash Management)
 - Cash forecasting;

- Daily banking activities, including communication with banks, managing incoming and outgoing electronic payments and wire transfers, reconciliation of monthly bank information and analysis of bank lines of credit;
- Debt covenant compliance reporting;
- Capital Markets activity;
- Ratings agency presentations and support; and
- Evaluation of long term capital requirements.
- Human Resources
 - Prepare compensation recommendations for senior management approval.
 - Ensure compliance with applicable laws, including healthcare reform.
 - Direct the benefits administration process and manage relationships with healthcare insurance carriers and vendors.
 - Develop human resources policies that comply with established law.
 - Oversee employee assistance, service award, drug and alcohol and “gas light” programs.
 - Manage the performance review policy.
 - Develop and maintain company-wide job descriptions and an HR manual.
 - Administer community volunteer activities.
 - Oversee and manage the grievance process.
 - Conduct employee counseling, disciplinary actions and terminations.
 - Administer disability management and leave programs.
 - Monitor the unemployment and workers compensation claims handling process and assist with appeals.
- Information Technology
 - Develop and maintain the IT strategic plan and prepare agendas for the board’s IT steering committee.
 - Administer the procedure for acquiring new technology.
 - Assist in ensuring proper technology implementation.
 - Establish and maintain benchmarks to ensure the adequacy of IT support and services.
 - Oversee network security and disaster recovery services.
 - Oversee management of the help desk, application development and system implementation functions.
 - Approve IT software and hardware purchases.
 - Assisting business leaders in researching and evaluating future business processes and technology requirements and coordinating the overall design and implementation of technology-based solutions to support business lines.
 - Acting as a liaison between IT and business lines in the analysis, selection and implementation of technology.
 - Internal controls that assure the privacy, integrity and reliability of mainframe systems and databases.
 - Recommendations for the acquisition of computer software and hardware.
 - Development of company IT policy and procedures.
 - Performance of the Computer Operations department to meet company requirements.
- Administrative Services
 - Oversee policies and procedures relating to the purchase and control of materials, supplies and services.
 - Services and the use of the Lawson system for Purchase Orders and Vendor Agreements.
 - Oversee tools, systems, processes and staff relating to storerooms and inventories.
 - Evaluate alternative suppliers and alternative approaches to obtaining products and services.
 - Oversee vendor database and insurance certificates.
 - Oversee the Supplier Diversity Program.

- Oversee the company's fleet, including vehicle procurement (and upfit, if required), as well as maintenance.
- Facilities and Building Services
 - Promote, formulate policy and procedures relating to safety, security and property protection.
 - Coordinate and direct the design, planning, construction and maintenance of buildings, machinery and equipment.
 - Manage space allocation, layout, and office furniture procurement.
 - Supervise maintenance workers.
 - Develop the program and monitor preventative maintenance of facilities.
 - Negotiate leases of facilities.
 - Promote security and property protection.
 - Serve as liaison to buyers, developers and realtors interested in SJI properties.
- Corporate Communications
 - Develop and implement strategies to influence public opinion about activities, projects or events in which SJI and its companies are involved and educate consumers about mandated programs.
 - Provide strategic public relations counsel and support to SJI and subsidiaries on emerging issues to optimize opportunities, redirect threats and minimize negative media coverage.
 - Ensure communications used to promote SJI products and services are consistent with the SJI brand.
 - Oversee communication of key messages to targeted media to build awareness and influence opinions about the company, and position executives as subject experts on energy topics.
 - Oversee production of the company's financial reports (Annual Report to Shareholders, Proxy and financial news releases).
 - Oversee implementation of change management programs.
- Stakeholder Relations
 - Maintain strategic direction for government and community relations.
 - Oversee internal and external legislative and lobbying-related communications.
 - Manage corporate philanthropic and social investment activities.
 - Prepare the operating budget and social investment budget and control and administer related expenditures.
 - Develop a proactive regulatory affairs corporate strategy before the NJBPU and PSC and strengthen the company's image with the NJBPU and PSC and the Ratepayer Advocate.
 - Develop corporate strategies for potential revisions for New Jersey and Maryland regulatory practices.
 - Provide a proactive approach to changes in state and federal regulatory policy.
 - Oversee strategic direction for government and regulatory affairs.
- Payroll
 - Responsible for the Workday timekeeping system and ensures all time is processed accurately and timely from Workday into Lawson GL.
 - Responsible for all SJI Management Reallocation process through Workday.
 - Maintains and manages the Workday payroll system:
 - Updates employees' deductions, direct deposit information, and W4
 - Processes all related payroll programs to generate payroll for SJI, SJG, ETG, ELK and SJES.
 - Generates payroll related labor transactions and posts to General Ledger.
 - Process and files all related Federal, State and Local tax filings, (each cycle, monthly, quarterly and annually).

- Remit payment and distribute electronic and paper reports for 401k contributions, credit union, union dues, direct deposit ACH file, wage attachments and all related tax payment.
- Accounts Payable
 - Oversee the policies and procedures set forth in A2.1 Procedure for Approvals Necessary to Authorize Disbursement of Company Funds for SJI and its subsidiaries.
 - Oversee the processing of invoices
 - Manage payments both electronic and paper made to vendors
 - Reconcile monthly Accounts Payable Disbursement bank accounts
 - Perform monthly closing of Accounts Payable to General Ledger
 - Generate monthly and quarterly AP accruals provided to General Ledger
 - Oversee the reconciliation of the Stores Inventory

Table 7-1
Services Provided by SJI

Service Provided	Cost Allocation Methodology
Corporate Counsel and Secretary	Services are directly assigned to the entity responsible for the service provided. Primarily labor and benefits – allocation based on time reports. Services assigned to SJI are allocated as part of the Management Service Fee using the three-factor general allocator.
Investor Relations	Indirectly attributable to the various entities through the Management Service Fee allocation factor using the three-factor general allocator.
Strategic and Financial Planning	Primarily labor and benefits – allocation based on time reports. Remainder allocated as part of the Management Service Fee.
Accounting	Primarily labor and benefits – allocation based on time reports. Tax expense is allocated based on actual tax liabilities.
Risk Management	Primarily labor and benefits – allocation based on time reports.
Internal Auditing	Primarily labor and benefits – allocation based on time reports.
Environmental Affair	Primarily labor and benefits – allocation based on time reports.
Insurance Payment and Processing	Primarily labor and benefits – allocation based on time reports.
Insurance Policy Placement and Claims Administration	Primarily labor and benefits – allocation based on time reports. The cost of insurance coverage is allocated as described in Table 10.
Shareholder Records	Indirectly attributable to the various entities through the Management Service Fee allocation factor using the three-factor general allocator.
Treasury (Cash Managements)	Primarily labor and benefits – allocation based on time reports. Bank fees are assigned based on actual costs incurred by bank accounts.

Service Provided	Cost Allocation Methodology
Human Resources Services	Primarily labor and benefits – allocation based on time reports.
Human Resources Services – Employee and Benefits	Primarily labor and benefits – allocation based on time reports. Benefits are typically allocated based on percentage of users.
Information Technology	Primarily labor and benefits – allocation based on time reports. Certain allocations are done using specified head counts.
Administrative Services	Primarily labor and benefits – allocation based on time reports. The cost of materials and supplies purchased or issued from stores is directly assigned. Labor and benefits costs are allocated based on time reports. Non-labor fleet costs are allocated as described in Table 10.
Facilities and Building Services	Allocated as part of the facilities charge which is based on occupied space.
Corporate Communications	Primarily labor and benefits – allocation based on time reports.
Stakeholder Relations	Primarily labor and benefits – allocation based on time reports.
Payroll Department	Primarily labor and benefits – allocation based on head count by entity.
Accounts Payable	Primarily labor and benefits – allocation based on time reports.

SJI Utilities

SJIU, is the holding company for South Jersey Gas, Elizabethtown Gas and Elkton Gas. SJIU has several functional areas that are shared services provided to all three utilities.

- Sales and Marketing
 - Strategic oversight for the operational sales department
 - Marketing support including content development
- Rates and Regulatory
 - Strategic oversight of the operational regulatory departments
- Safety
 - Safety Program development of policies and procedures
 - Safety compliance reporting
 - Support of safety incident investigations and reporting
 - Safety training
- Utility Shared Services
 - GIS and Records Management
 - Support of GIS
 - Mapping of distribution and transmission system
 - QA/QC of service records and as-builts
 - Technical Training
 - Development and support of written OQ plans for utility subsidiaries
 - Technical training support for operational employees
 - Content Development for OQ and non-OQ technical training

- Vendor management for out sourced training
 - Compliance and Standards
 - Development and support of written Operating Procedure Manuals (OPM)
 - Update of standards in conjunction with state and federal regulations
 - Support and Delivery of compliance reporting
 - Serve as a liaison with regulatory agencies for operations
- Organizational Effectiveness
 - Strategic and Analytical support for improvement initiatives
 - Develop and monitor key performance indicators for overall effectiveness and productivity
 - Support benchmarking and AGA Best Practices for subsidiaries
 - Spearhead innovation and business process changes
- Customer Experience
 - Provide strategic and analytical support for customer experience metrics
- Gas Supply, Allocations and LNG Operations
 - Oversight of portfolio of assets within each subsidiary
 - Management of pipeline relationships
 - Allocations and SCADA Monitoring/Management
 - Strategic oversight of LNG facility operation
 - Support of Gas Accounting functions

Table 7-2
Services Provided by SJIU to SJG, ETG and ELK

Service Provided	Cost Allocation Methodology
Sales & Marketing	Primarily labor and benefits – allocation based on time reports.
Rates & Regulatory	Primarily labor and benefits – allocation based on time reports.
Safety	Primarily labor and benefits – allocation based on time reports.
Utility Shared Services	Primarily labor and benefits – allocation based on time reports.
Organizational Effectiveness	Primarily labor and benefits – allocation based on time reports.
Customer Experience	Primarily labor and benefits – allocation based on time reports.
Gas Supply, Allocations & LNG Operations	Primarily labor and benefits – allocation based on time reports.

8. SJI/SJIU Management Service Fee

The SJI Management Service Fee is used to allocate residual corporate support service expenses from South Jersey Industries to its subsidiaries. The SJIU Management Service Fee is used to allocate residual corporate support service expenses from SJIU Holding company to its regulated operating subsidiaries SJG, ETG and ELK. SJES also has a Management Service Fee to allocate certain corporate support service expenses to its non-regulated subsidiaries. The affected affiliates and/or competitive services are SJI, SJG, ETG, ELK, SJES, SJE, SJRG and Marina.

These residual expenses are comprised of costs allocated to SJI from its subsidiaries (such as benefit costs, labor costs, and rent), SJI direct costs retained at SJI as a result of other allocation processes (for example, director's fees, outside professional services, insurance expense) and other

SJI corporate overhead costs (for example, salaries of SJI officers and employees, accounting costs, etc.). All costs from all SJI cost centers are included in the Management Service Fee except for:

- interest and debt-related costs in the General and Corporate cost center (3001), which are included in a separate SJES Management Service Fee that does not impact SJG or ETG/ELK (as SJI does not incur debt on behalf of SJG or ETG/ELK).
- Costs associated with the ETG/ELK acquisition prior to July 1 (closing date of the acquisition); these costs are included in cost center 3090 and stay at SJI, and thus do not impact the Management Service Fee.

Costs are allocated based upon current corporate and fiscal allocation percentages. The corporate and fiscal percentages are calculated using a three-tiered allocation method based upon the assets, payroll and margin of the subsidiaries. An average of these three components is taken for each subsidiary, excluding holding and service companies, and that average percentage is applied to the Management Service Fee. The calculation is done using June balances from the prior year (for example, the 2017 percentages are calculated based off June 30, 2016 balances). Note: ETG and ELK are included in this calculation beginning July 1, 2018; as such an updated calculation of the allocation percentages was performed using December 31, 2017 information. ETG/ELK financial information was taken from their respective financial statements.

Assets: Calculated by starting with total assets of all SJI subsidiaries as of June 30 of the prior calendar year, or as of December 31, 2017 for purposes of including ETG/ELK into 2018. Several adjustments are then made to eliminate such items as intercompany AR, dividends, notes receivable and holding company investments in subsidiaries; deferred and prepaid taxes; derivative assets; cash credit balances; unamortized debt issuance costs; and accrued utility assets for SJG, ETG/ELK that have corresponding accrued liabilities (i.e. environmental, asset retirement obligations and regulatory assets). These are eliminated as, if included, they could skew the percentage allocation.

Margin: Calculated by taking total margin for each SJI subsidiary for the 12 months ending June 30 of the prior calendar year (12 months ended December 31, 2017 for purposes of including ETG/ELK into 2018). The term "margin" represents total revenues less total cost of sales. The Company uses Economic Earnings ("EE") revenue and cost of sales when determining margin for purposes of this calculation, which consists of eliminating the following:

- Change in unrealized gains/losses on all commodity derivative transactions.
- Adjustments for legal accruals/settlements on transactions that related primarily to prior periods.

This is done to eliminate the impact from mark-to-market accounting under GAAP, along with eliminating the impact of legal items that relate to prior periods, and keep revenues and cost of sales consistent with the non-GAAP measure "EE" used by Management. This is done for all entities impacted by the Management Service Fee to the extent they have commodity derivative transactions or legal accruals/settlements related primarily to prior periods that impact total margin.

Payroll: Calculated by starting with the gross payroll for each SJI subsidiary for the 12 months ending June 30 of the prior calendar year (12 months ended December 31, 2017 for purposes of including ETG/ELK into 2018). Adjustments are then made in order to eliminate intercompany payroll allocations, which is done in order to determine the final payroll distributions for each subsidiary. Holding companies are excluded, with the SJES payroll being allocated to the SJES subsidiaries only, and not to the utility companies.

Effective July 1, 2018 SJI entered into a Transition Services Agreement (TSA) with AGL Services Company to provide post-acquisition services to both ETG and ELK. SJI may make temporary modifications to the above Management Service Fee allocations so that ETG/ELK do not share in SJI allocated costs that may be duplicative to the TSA costs directly charged by AGL.

9. Time Reporting Procedures

All employees of South Jersey Gas, Elizabethtown Gas and Elkton Gas who provide services to any affiliate of SJI, including one another, and all employees of SJI and non-regulated affiliates who provide service to South Jersey Gas, Elizabethtown Gas and/or Elkton Gas must complete a time report that clearly indicates the assignment of time among affiliates on a daily basis. The Company's time reporting procedures are in compliance with Section 6-3(a) of the Affiliates Standards Regulations which state:

All electric and/or gas public utility employees who are directly involved in the provision of noncompetitive services as well as competitive services, or who are involved in the provision of more than one competitive service, must maintain complete and accurate time sheets to track and record the amount of time spent in the performance of each service. For those employees' who travel to remote or customer locations in provision of competitive service, time sheets shall account for and allocate time to the competitive service job, as well as the time spent performing related diagnostics, repair and/or installation, and allocated share of downtime.

Each employee is responsible for accurately reporting time and for following appropriate Company procedures and associated accounting requirements. For all individuals, standard time sheets are used to report time.

Training is provided annually, together with periodic reminders, regarding the importance of accurate time reporting and how to report time accurately.

Time worked on behalf of an affiliate is compiled and charged to that affiliate monthly as reported on the time sheets. Actual employee wage rates are used to price out the hours of service provided. In addition, employee benefits and related costs are added to the direct labor costs billed to the affiliate.

On an annual basis, based on budgeted costs, the Company establishes an hourly rate representing the cost of employee benefits and related expenses. This hourly rate is added to the direct labor cost of the employee providing services to an affiliate for purposes of invoicing these costs. This hourly rate is adjusted periodically to reflect actual costs.

Three methods of distribution are used to apportion wages and salaries of employees: positive time reporting, exception time reporting, and time reporting based on the number of transactions completed.

The method of reporting required for a specific group of employees is determined by the nature of their work activities:

- Positive time reporting is used by those employees who can segment a day into distinct tasks or functions.
- Exception time reporting is used by employees who predominantly perform certain work functions but who occasionally perform identifiable duties outside of their normal responsibilities.

- For employees who primarily process transactions for all three regulated utilities, and employees who primarily process transactions for both the regulated and non-regulated companies, and for whom it is not possible to separately accumulate time by entity, the assignment of costs is based on the number of transactions processed. For example, payroll processing costs are assigned based on the number of employees paid.

10. Non-Labor Costs

In addition to the direct assignment of labor and payroll-related loadings, non-labor costs are often incurred by a single department within SJI or SJIU on behalf of the entire entity or specific affiliates that require the assignment of allocation of those costs to the appropriate entity.

In some instances, these costs can be specifically identified with an affiliate; for example, health insurance premiums and company-matching 401(k) contributions. In other instances, these costs can be directly attributed to an entity and are allocated using a cost-causative allocator factor; for example, fleet costs based on vehicle usage. Other costs are only indirectly attributed to an entity, for example, the cost to provide shareholder services, and must be allocated based on a general allocation factor.

Table 10-1
Non-Labor Costs – Allocation Methods

Cost Item	Allocation Method
Officers Annual Cash Bonus	Directly Attributable – Officer Hours
Officers Restricted Stock Grants	Directly Attributable – Percentage of Salary
Benefits & Payroll Tax Allocation	Directly Attributable – Hours Worked
Blue Cross/Blue Shield Medical Plan	Directly Attributable – # of Employees
Defined Contribution Plan/401(k)	Directly Assignable
Defined Contribution Plan/401(k) Accounting Fees	Directly Attributable – # of Employees
Dental Plan	Directly Attributable – # of Employees
Group Life Insurance	Directly Assignable
Long-term Disability	Directly Attributable – Payroll Dollars
Pension Plan	Non-Union – Directly Attributable based on Salaries Union – Directly Assigned to SJG & SJESP
Prescription Plan	Directly Attributable – # of Participants
Short-term Disability and Family Leave	Directly Attributable – # of Participants
Employee Assistance Program	Directly Attributable – # of Participants
Health Savings Account	Directly Assignable
Additional Retainer Fees Paid to Committee Chairs and Lead Independent Director	Directly Attributable – Board Memberships

Cost Item	Allocation Method
Retainer Fees	Directly Attributable – Board Memberships
Travel Reimbursement - BOD	Directly Attributable – Board Memberships
SJI Management Service Fee	Indirectly Attributable – Assets, Payroll, Margin
Restricted Stock Program	Indirectly Attributable – Assets, Payroll, Margin
Directors Pension	Indirectly Attributable – Assets, Payroll, Margin
Gasoline Credit Cards	SJG – Directly Assignable – Wawa card & divisional fuel dispensers SJESP – Directly Assignable – Wawa card
Vehicle Lease Charges	Directly Assignable
Motor Vehicle Charges	SJG/ASB – Directly Attributable – Hours
Outsourced Vehicle Maintenance	Directly Attributable – Based on actual vehicle per affiliate
Garage Square Foot Cost Allocation	Indirectly Attributable – RE tax, depreciation, utilities
Bonding	Directly Assignable
General Liability & Umbrella Excess Insurance	Directly Attributable – Based on insurance industry standards
Crime Policy	Directly Attributable – # of Participants
Directors & Officers Insurance	Directly Attributable – # of Directors and Officers by Subsidiary
Employment Practices Insurance	Directly Attributable – # of Employees
Fiduciary Insurance	Directly Attributable – # of Employees
Property Insurance	Directly Attributable – Insured Property Values at Replacement Cost
Self-Insured (Uninsured Risk) Liability	None
Workers Compensation	Premiums - Directly Attributable – Payroll Adjustments – Directly Assignable
Underground Tank Insurance	Directly Attributable – Based on insurance industry standards
Mobile Services	Directly Assignable
Network Services	Directly Attributable – # of PC's
IT - Telephone Services	Directly Attributable - # of Participants
PC User Support	Directly Attributable – Timecard system
Unified Computer Services (UCS)	Directly Attributable – # of Servers
Call Management System & Services	Directly Attributable – # of Calls

Cost Item	Allocation Method
Lawson Maintenance & Licensing Fees	Directly Attributable – Lawson user count & Time Sheets
Shared Software Systems	Directly Attributable – # of users
Bank Service Fees	Other than Wells Fargo – Directly Assignable Wells Fargo - Directly Attributable – Service Utilization/Excess Balances
Catered Services	Indirectly Attributable – Management Service Fee
Employee Expenses	Directly Assignable – Based on Employee Expense Reports
Office Space & Services	Directly assignable – Based on square Footage
Outside Professional Services	Directly Assignable
Purchase & Payment of Goods and Services	SJI.SJE – Directly Assignable ASB and certain affiliates – Directly Assigned (parts and Supplies), Directly Attributable (time reporting) and Indirectly Attributable (management cost allocation)
Stationery & Office Supplies	Directly Assignable
Electric Billing Services	Directly Assignable – \$0.075 per Bill (based on Special Study) x Actual Number of Bills
Electronic Data Distribution with Marketers	Tariff-based Pricing – \$100 per month
Itron Maintenance Agreement	Directly Assignable – 100% to Millennium
Residential Marketer Billing & Receivable Purchase Services	Directly Assignable – \$0.075 per Bill & \$0.90 per Purchase fee x Actual Number of Bills/Fees
Commercial Marketer Billing Services	Directly Assignable – \$0.075 per Bill (based on Special Study) x Actual Number of Bills
Customer Care Center Payroll Allocation for Marketer-Related Work	Directly Attributable – Based on Time Sheets submitted to Payroll
Mailroom & Courier Services	Directly Assignable
Website Charges – External and Internal	Directly Attributable – Outside source: Based on invoices and MSF Internal: Time Sheets
SJI Employee Time Allocation	Directly Attributable – Base on Time Sheets submitted to Payroll
Federal income Tax Allocation	Directly Attributable – Based on estimated tax liability trued-up at year-end when return is filed
State Income Tax Allocation	Directly Attributable – Based on estimated tax liability trued-up at year-end when return is filed

11. Recording of Transactions and Intercompany Invoicing

- Recording of Transaction – SJI and each of its subsidiaries shall maintain separate accounts in their ledgers for the purpose of recording intercompany transactions. All transactions shall be processed through the intercompany receivable and payable accounts unless circumstances dictate that doing so would violate GAAP or other governing rules and regulations.
- Transaction Summaries – Existing regulatory requirements call for the filing of summaries of all intercompany transactions within 48 hours of serving notice. As such, a summary of all intercompany transactions must be maintained by SJI and each of its subsidiaries. Such summaries shall be updated no less frequently than quarterly and on a three-month lag. For example, first quarter transactions shall be summarized no later than the end of the second quarter of the year. Such summaries are the responsibility of each entities' Accounts Payable Supervisor.
- Intercompany Invoicing – The supervisors responsible for the Accounts Payable function of SJI and each of its subsidiaries are responsible for ensuring the accurate and timely invoicing and payment of intercompany transactions. Charges classified to the intercompany account receivable are generally billed to the respective subsidiaries at month- end. Earlier payment is permitted when circumstances warrant.

Under no circumstances shall SJG, ETG or ELK advance funds to one another or to an affiliate for the payment of goods and services prior to receipt of such goods and services.

If, while acting as an agent for SJG, ETG or ELK, SJI or SJIU requires funds to be transferred from the regulated utility to SJI, such funds shall not be transferred more than 24 hours prior to SJI making payment to the third-party beneficiary (e.g. pension, insurance, and FIT payments). Exceptions shall be permitted for weekend and holiday scheduling.

Neither SJG, ETG nor ELK shall extend to affiliates payment terms longer than those extended to third-party providers of similar services.

12. Distribution

Distribution of this CAM shall be made to all holders of the Company Policy and Procedures Manuals and the Accounts Payable Supervisor of SJG, ETG, ELK and each of their affiliates.

South Jersey Industries & Subsidiaries
Affiliate Standards
Cost Allocation Manual

Item:

Brief Description:

Affiliate(s) and/or Competitive Service(s) Affected:

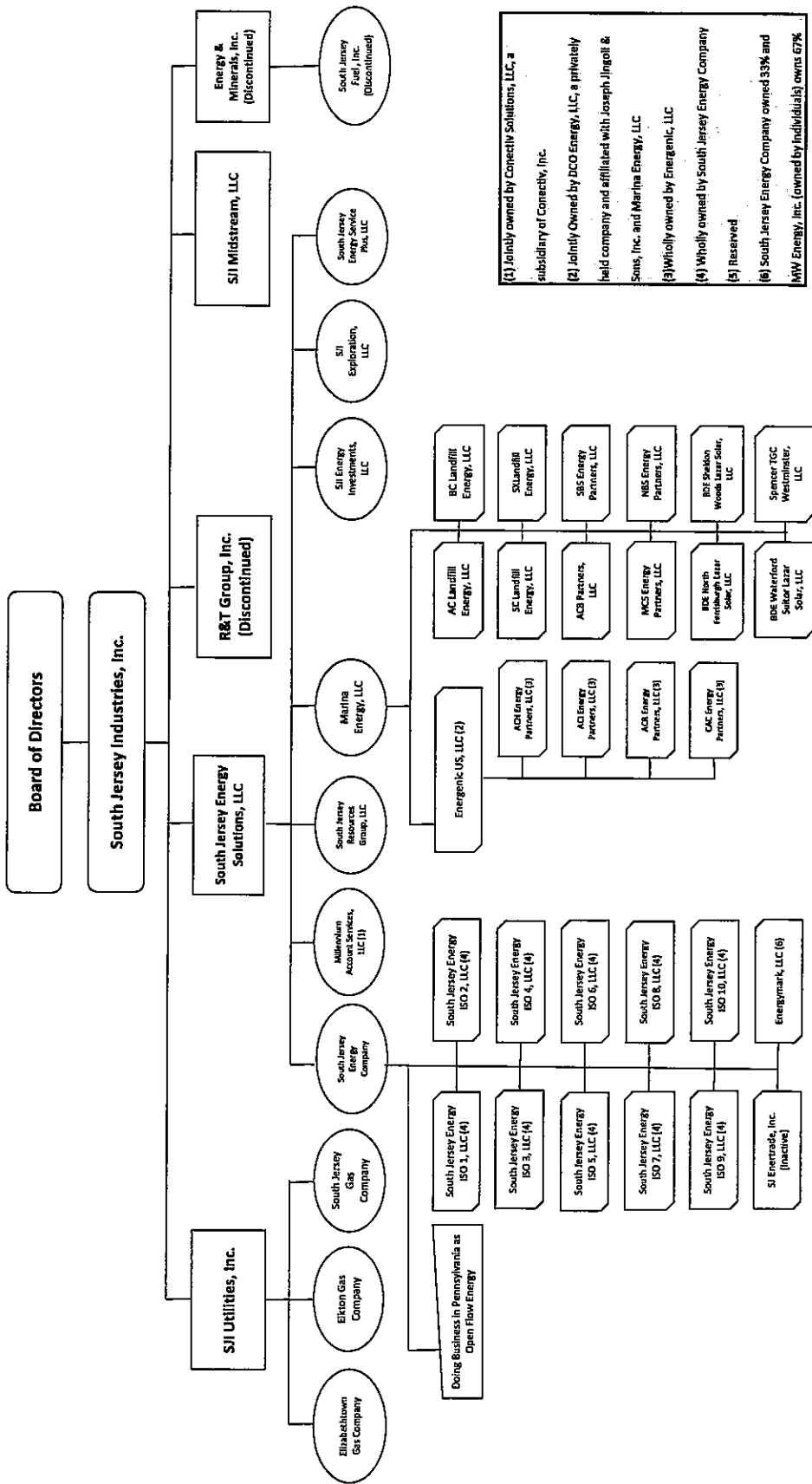
Detail Description of Allocation Methodology (Use additional pages and exhibits if necessary):

Responsible Department(s):

Approvals: Department Head _____
Department Officer _____
Cost Allocation Manual Coordinator _____

Approved:
Supersedes:

**SOUTH JERSEY INDUSTRIES, INC.
AND
SUBSIDIARY COMPANIES
CORPORATE ORGANIZATION
July 1, 2018**



(1) Jointly owned by Connectiv Solutions, LLC, a subsidiary of Connectiv, Inc.
 (2) Jointly Owned by DCO Energy, LLC, a privately held company and affiliated with Joseph Jirgoff & Sons, Inc. and Marina Energy, LLC
 (3) Wholly owned by Energetic, LLC
 (4) Wholly owned by South Jersey Energy Company
 (5) Reserved
 (6) South Jersey Energy Company owned 53% and MW Energy, Inc. (owned by individuals) owns 67%

**Exhibit B
(2 of 2)****South Jersey Industries, Inc.**
Internal Services**SJI Level Services**

- Corporate Counsel and Corporate Secretary
- Investor Relations
- Strategic & Financial Planning
- Accounting
- Risk Management
- Internal Auditing
- Environmental Affairs
- Insurance
- Shareholder Records
- Treasury (Cash Management)
- Human Resources
- Information Technology
- Administrative Services
- Facilities & Building Services
- Corporate Communications
- Stakeholder Relations
- Payroll
- Accounts Payable

SJI Utilities Level Services

- Sales & Marketing
- Rates & Regulatory
- Safety
- Utility Shared Services
 - GIS & Records Management
 - Technical Training
 - Compliance & Standards
- Organizational Effectiveness
- Customer Experience
- Gas Supply, Allocations and LNG Operations

Appendix B

Affiliate Standards Compliance Plan



**ELIZABETHTOWN GAS
COMPANY**

**AFFILIATE RELATIONS, FAIR COMPETITION
AND ACCOUNTING STANDARDS
AND RELATED REPORTING REQUIREMENTS
COMPLIANCE PLAN**

September 2018

ELIZABETHTOWN GAS COMPANY

Affiliate Standards Compliance Plan

TABLE OF CONTENTS

	<u>Page</u>
I. Introduction	1
A. Background	1
B. Company Organization	1
C. Employee Training	2
II. Definitions of Words and Terms	3
III. Scope of Regulations	6
IV. Nondiscrimination	7
V. Information Disclosure	11
VI. Separation	13
VII. Competitive Products and/or Services	20
VIII. Regulatory Oversight	29
IX. Dispute Resolution	31
X. Violations and Penalties	32

Exhibits

Exhibit A - Organizational Chart

Exhibit B - SJI Company Descriptions

Exhibit C - ETG NJBPU Affiliate Standards Communication Plan

Exhibit D - SJI Code of Ethics

Exhibit E - Verification Required by N.J.A.C. 14:4-3.5(j) (Joint Corporate Services)

Exhibit F - Verification Required by N.J.A.C. 14:4-3.5(q)(2)(i) (Shared Officers and Directors)

I. INTRODUCTION

A. Background

This Compliance Plan has been prepared and submitted to the New Jersey Board of Public Utilities (the “Board” or “BPU”) in accordance with the requirements of N.J.A.C. 14:4-3.1, et seq. On March 13, 2000 the BPU adopted Interim Affiliate Relations, Fair Competition and Accounting Standards and Related Reporting Requirements (the “Affiliate Standards Regulations”) and on September 11, 2000 those Affiliate Standards were made Final. The Affiliate Standards Regulations govern the interactions between the New Jersey energy utilities and their affiliated companies. The Affiliate Standards Regulations are designed to promote fair competition in retail markets where Elizabethtown Gas Company (“ETG”) deals with its affiliates. Simply stated, ETG’s affiliates should not gain any unfair competitive advantage as a result of their relationship with ETG. As you know, South Jersey Industries, Inc. (“SJI”) and each member of the corporate family are committed to conducting all business in full compliance with applicable laws and regulations, and in accordance with the highest standards of ethical conduct and integrity. These values should be extended to all our operations to which these Affiliate Standards Regulations apply.

The purpose of this Compliance Plan is to provide employees with guidance related to the BPU’s Affiliate Standards Regulations and remind them of their responsibilities when they interact with ETG’s affiliates. This Compliance Plan will be submitted to the Board as required by N.J.A.C. 14:4-3.7, demonstrating that ETG has procedures in place to comply with the Affiliate Standards Regulations issued by the Board.

B. Company Organization

Exhibit A to this Compliance Plan identifies SJI’s corporate structure and Exhibit B to this Compliance Plan identifies SJI’s principal subsidiaries, their officers and a brief summary of the business that each subsidiary is engaged in. Each subsidiary of SJI is a functionally separate business unit, joint venture, or partnership and is affiliated with ETG. However, not every subsidiary is considered a Related Competitive Business Segment (“RCBS”) as defined in the Affiliate Standards Regulations. As referred to in this Compliance Plan, an RCBS is a functionally separate business unit, joint venture, partnership or subsidiary of SJI or ETG offering or providing competitive services to retail customers in the State of New Jersey. In our case, the Affiliate Standards Regulations apply to ETG and its interactions with the following RCBSs:

- South Jersey Industries, Inc. (SJI)
- South Jersey Energy Solutions, LLC (SJES)
- South Jersey Energy Company (SJE)
- South Jersey Energy Service Plus, LLC (SJESP)
- South Jersey Resources Group, LLC (SJRG)
- Marina Energy, LLC (Marina)

C. Employee Training

Employee training activities and methods of communicating the requirements of the Affiliate Standards Regulations are set forth in the ETG NJBPU Affiliate Standards Communication Plan (the "Communication Plan"), attached hereto as Exhibit C. As outlined in the Communication Plan, all employees are required to participate in biennial live training on Affiliate Standards Regulations and compliance. Additionally, ETG provides Affiliate Standards Regulations training to all new employees when hired either as a part of the biennial live training or by providing them with the handouts contained in the Communication Plan. These handouts are included in the Employee Manual provided to new employees and all new employees are required to acknowledge their obligation to read and understand the documents included in the Employee Manual.

The Communication Plan and the handouts it contains serve as a resourceful summary of the Affiliate Standards requirements and as a quick guide for employees with regard to their obligations under the Affiliate Standards Regulations and this Compliance Plan. This Compliance Plan is posted on the ETG intranet for reference and compliance with the Affiliate Standards Regulations is required by the SJI Code of Ethics, attached hereto as Exhibit D.

II. DEFINITIONS OF WORDS AND TERMS

This section provides the definitions of words and terms used in the Affiliate Standards Regulations, as set forth at N.J.A.C. 14:4-3.2, and used in this Compliance Plan. The following meanings shall be applicable, unless the context in which they are used clearly indicates otherwise. Additional definitions that apply to this Compliance Plan can be found at N.J.A.C. 14:3-1.1 and in N.J.A.C. 14:4-1.2.

“Affiliate” means a “related competitive business segment of an electric public utility or a related competitive business segment of a gas public utility” or a “related competitive business segment of a public utility holding company” as defined in this section.

“Affiliated” means related to an electric or gas public utility as an affiliate thereof.

“Category” means a group of products and/or services that use the same type of electric and/or gas public utility assets or capacity. For example, “leases of land under utility transmission lines” or “use of a utility repair shop for third party equipment repair” would each constitute a separate product and/or service category.

“Competitive service” means any services, goods, or products offered by an electric public utility or a gas public utility that the Board has already determined or that the Board shall in the future determine to be competitive pursuant to section 8 or section 10 of the Act or that is not regulated by the Board.

“Cross-subsidization” means the offering of a competitive product and/or service by an electric and/or gas public utility, or the offering of a product and/or service by an affiliate, which relies in whole or in part on the utilization of utility employees, equipment or other assets, and for which full compensation (via cost allocations or direct payment), as determined by the Board, has not been provided for the use of such electric and/or gas public utility assets, resulting in the inappropriate transfer of benefits from the utility ratepayers to the competitive product and/or service or affiliate.

“Dth” means decatherms or ten therms.

“EBB” means an electric and/or gas public utility’s electronic bulletin board.

“Existing products and/or services” means those products and/or services, which an electric and/or gas public utility was offering prior to January 1, 1993, that have been approved by the Board prior to February 9, 1999, or an electric and/or gas public utility is offering on May 19, 2008.

“Fully allocated cost” means an allocation of the direct, indirect and other economic costs of all equipment, vehicles, labor, related fringe benefits and overheads, real estate, furniture, fixtures and other personality and administration utilized, and other assets utilized and costs incurred, directly or indirectly in providing competitive services.

“Functional separation” means the formation of a separate business unit by an electric or gas public utility for purposes of offering competitive services permitted by N.J.S.A. 48:3-55(f) or 58(b), which separate business unit shall be a related competitive business segment of an electric public utility or gas public utility as defined in this section and in the Act.

“Individual proprietary information” means a customer’s name, address, telephone number, energy usage and payment history and such other information as the Board, by order, may determine.

“Joint purchases” means purchases made by a parent or holding company or affiliate thereof for use by one or more affiliates, the fully allocated costs of which are allocated to be paid proportionally by the affiliates, based upon utilization.

“Joint purchases allowed” means purchases not associated with merchant functions, examples of which would be joint purchases of office supplies and telephone services.

“Joint purchases not allowed” means purchases associated with merchant functions, examples of which would be gas and electric purchasing for resale, purchasing of gas transportation and storage capacity, purchasing of electric transmission, systems operations, and marketing.

“Merchant functions” means the marketing and/or the provision of electric generation service and/or gas supply service to wholesale or retail customers, as opposed to the marketing and/or provision of transmission and distribution services, by an electric and/or gas public utility.

“Public posting” means a posting on an electric and/or gas public utility’s EBB, website or other industry recognized and publicly accessible electronic or print medium.

“Public utility holding company” or “PUHC” means:

1. Any company that, directly or indirectly, owns, controls, or holds with power to vote, 10 percent or more of the outstanding voting securities of an electric public utility or a gas public utility or of a company that is a public utility holding company by virtue of this definition, unless the Federal Energy Regulatory Commission (FERC), or its successor, by order, declares such company not to be a public utility holding company under Title XII, Subtitle F of the Energy Policy Act of 2005 (known as the Public Utility Holding Company Act of 2005), Pub. L. No. 109-58, §§ 1261-77, 42 U.S.C. §§ 15801 et seq.

(2005), or its successor; or

2. Any person that the FERC, or its successor, determines, after notice and opportunity for hearing, directly or indirectly, to exercise, either alone or pursuant to an arrangement or understanding with one or more other persons, such a controlling influence over the management or policies of an electric public utility or a gas public utility or public utility holding company as to make it necessary or appropriate in the public interest or for the protection of investors or consumers that such person be subject to the obligations, duties, and liabilities imposed in the Public Utility Holding Company Act of 2005 or its successor.

“Related competitive business segment of an electric public utility or gas public utility” means any business venture of an electric public utility or gas public utility including, but not limited to, functionally separate business units, joint ventures, and partnerships, that offers to provide or provides competitive services.

“Related competitive business segment of a public utility holding company” means any business venture of a public utility holding company, including, but not limited to, functionally separate business units, joint ventures, and partnerships and subsidiaries, that offers to provide or provides competitive services, but does not include any related competitive business segments of an electric public utility or gas public utility.

“Services that may not be shared” means those services that involve merchant functions, including, by way of example: hedging and financial derivatives and arbitrage services, gas and/or electric purchasing for resale, purchasing of gas transportation and storage capacity, purchasing of electric transmission, system operations, and marketing.

“Shared services” means administrative and support services that do not involve merchant functions, including by way of example: payroll, taxes, shareholder services, insurance, financial reporting, financial planning and analysis, corporate accounting, corporate security, human resources (compensation, benefits, employment policies), employee records, regulatory affairs, lobbying, legal, and pension management.

“Short term” means a transaction of 31 days or less.

“Structural separation” means the formation of a related competitive business segment of a public utility holding company.

III. SCOPE OF REGULATIONS

There are three primary categories of standards of conduct that are governed by the Affiliate Standards Regulations:

A. Regulations Applicable to Transactions between ETG and a RCBS:

Standards of conduct applicable to transactions between ETG, including a related competitive business segment of ETG, and a related competitive business segment of SJI that provides or offers competitive services to retail customers in New Jersey, or SJI itself providing or offering competitive services to retail customers in New Jersey. These regulations can be found at N.J.A.C. 14:4-3.3 through 14:4-3.5

B. Regulations Applicable to Competitive Products and Services:

Standards of conduct applicable to ETG and its related competitive business segments, as well as the transactions, interactions and relations between ETG and its related competitive business segments. These regulations can be found at N.J.A.C. 14:4-3.6

C. Regulations Applicable to Regulatory Oversight and Related Processes:

Standards of conduct that address regulatory oversight, dispute resolution and violations and penalties applicable to electric and/or gas public utilities regarding affiliate relations, fair competition, accounting standards and related reporting requirements. These regulations can be found at N.J.A.C. 14:4-3.7 through 3.9.

IV.
NONDISCRIMINATION

Affiliate Standards Regulations related to Nondiscrimination can be found at N.J.A.C. 14:4-3.3 and are incorporated herein by reference. These Nondiscrimination regulations and ETG's policies with regard to Nondiscrimination can be summarized as follows:

- (a) ETG shall not unreasonably discriminate against any competitor in favor of its affiliate(s) or a related competitive business segment.
- (b) ETG shall not represent that, as a result of its relationship with ETG or for any other reason, a related competitive business segment of SJI, or customers of a related competitive business segment of SJI will receive any different treatment by ETG than the treatment ETG provides to other, unaffiliated companies or their customers.
- (c) ETG shall not provide a related competitive business segment of SJI, or customers of a related competitive business segment of SJI, any preference (including but not limited to terms and conditions, pricing, or timing) over non-affiliated suppliers or their customers in the provision of products and/or services offered by ETG.
- (d) Transactions between ETG and a related competitive business segment of SJI shall be prohibited, except for the following:
1. Tariffed products and services;
 2. The sale or purchase of goods, property, products or services made generally available by ETG, SJI or a related competitive business segment of SJI to all market participants through an open, competitive bidding process; or
 3. As provided for in N.J.A.C. 14:4-3.5 (g) and (h), in (i) and (j) or 3.6(a) through (f), provided the transactions specified in N.J.A.C. 14:4-3.6 comply with all other applicable rules.
- (e) ETG shall provide access to utility information, services, and unused capacity or supply on a non-discriminatory basis to all market participants, including affiliated and non-affiliated companies, except as provided for in N.J.A.C. 14:4-3.4, 3.5, and 3.6, provided the transactions specified in N.J.A.C. 14:4-3.6, competitive utility products and/or services, comply with all other applicable rules. If ETG provides supply, capacity, services, or information to a related competitive business segment of SJI, it shall make the offering available, via a public posting, on a non-discriminatory basis to non-affiliated market participants, which include competitors serving the same market as the related competitive business segment of SJI.
- (f) If ETG sells or makes an offer to sell surplus energy and/or capacity on a short-term basis to SJI or a related competitive business segment of SJI, ETG shall make the offering available on a non-discriminatory basis to non-affiliated electric or gas marketers, via a public posting.

(g) If ETG makes an offer to sell surplus energy and/or capacity on a long-term basis to SJI or a related competitive business segment of SJI, ETG shall make the offering available on a non-discriminatory basis to non-affiliated electric or gas marketers, via a public posting.

(h) Except when made generally available by ETG through an open, competitive bidding process, ETG shall not offer a discount or waive all or any part of any other charge or fee to SJI or a related competitive business segment of SJI, or offer a discount or waiver for a transaction in which a related competitive business segment of SJI is involved, unless ETG makes such discount or waiver available on a non-discriminatory basis to other market participants.

ETG shall not give SJI or a related competitive business segment of SJI involved in energy supply or marketing a preference with respect to tariff provisions that provide for discretionary waivers of fees, penalties, etc., unless offered to all others on a non-discriminatory basis.

(i) ETG shall document the cost differential underlying the discount to SJI or a related competitive business segment of SJI in the Affiliate Discount Report described in (q) through (s) below.

(j) ETG shall apply tariff provision(s) on a non-discriminatory basis to SJI and related competitive business segments of SJI and to other market participants and their respective customers if the tariff provision allows for discretion in its application.

(k) ETG shall strictly enforce a tariff provision if the tariff provision does not allow discretion in its application.

(l) ETG shall process all requests for similar services provided ETG on a non-discriminatory basis for SJI or a related competitive business segment of SJI and for all other market participants and their respective customers.

(m) ETG shall not condition or otherwise tie the provision of any product and/or services provided by ETG, nor the availability of discounts of rates or other charges or fees, rebates, or waivers of terms and conditions of any product and/or services provided by the ETG, to the taking of any products and/or services from SJI or a related competitive business segment of SJI.

(n) ETG shall not assign customers to which it currently provides products and/or services to any related competitive business segments SJI, whether by default, direct assignment, option or by any other means, unless that means is equally available to all competitors on a non-discriminatory basis.

(o) Except as otherwise provided by this subchapter, ETG shall not provide any assistance, aid or services to SJI or a related competitive business segment of SJI if related to customer enrollment, marketing or business development, unless offered to all

competitors on a non-discriminatory basis. By way of example but not limited to, ETG shall not:

1. Provide leads to SJI or a related competitive business segment of SJI;
2. Solicit business on behalf of SJI or a related competitive business segment of SJI;
3. Acquire information on behalf of or to provide to SJI or a related competitive business segment of SJI;
4. Share market analysis reports or any other type(s) of proprietary or non-publicly available reports, including but not limited to market, forecast, planning or strategic reports, with SJI or a related competitive business segment of SJI;
5. Share customer usage or end use equipment information, obtained during the course of providing gas public utility services, with SJI or a related competitive business segment of SJI;
6. Request authorization from its customers to pass on customer information exclusively to SJI or a related competitive business segment of SJI;
7. Represent or imply that ETG speaks on behalf of SJI or a related competitive business segment of SJI or that the customer will receive preferential treatment as a consequence of conducting business with the related competitive business segment of SJI; or
8. Represent or imply that SJI or a related competitive business segment of SJI speaks on behalf of ETG.

(p) Provided it is in compliance with this subchapter, and subject to the provisions of N.J.A.C. 14:4-3.4 (g), ETG may offer or provide customers advice or assistance with regard to a related competitive business segment of SJI and/or other product and/or service providers upon the unsolicited request of the customer, so long as such advice or assistance is provided with regard to other competitors on a non-discriminatory basis.

(q) If a discount, rebate, or other waiver of any charge, penalty, or fee associated with products and/or services provided by ETG is offered to SJI or a related competitive business segment of SJI, ETG shall provide the following information within 24 hours of the time of the transaction, via a public posting:

1. The name of the related competitive business segment involved in the transaction;
2. The rate charged;
3. The maximum rate;

4. The time period for which the discount, rebate or waiver applies;
5. The quantities involved in the transaction;
6. The delivery points involved in the transaction;
7. Any conditions or requirements applicable to the discount, rebate or waiver, and documentation of the cost differential underlying the discount as required in (f) or (g) above; and
8. Procedures by which a non-affiliated entity may request a comparable offer.

(r) If ETG provides SJI or a related competitive business segment of SJI a discounted rate, rebate, or other waiver of a charge, penalty or fee associated with services offered by ETG, ETG shall maintain, in compliance with N.J.A.C. 14:5-5.2 or longer if required by another government agency, for each billing period, the following information:

1. The name of the related competitive business segment being offered products and/or services provided by ETG in the transaction;
2. The related competitive business segment's role in the transaction, that is shipper, marketer, supplier, seller, etc.;
3. The duration of the discount or waiver;
4. The maximum rate;
5. The rate or fee actually charged during the billing period;
6. The quantity of products and/or services scheduled at the discounted rate during the billing period for each delivery point; and
7. Facts demonstrating that the discounted rate, rebate, or other waiver of a charge, penalty or fee was offered to non-affiliated entities on a non-discriminatory basis.

(s) All records maintained pursuant to (q) and (r) above shall also conform to FERC rules, where applicable.

V.
INFORMATION DISCLOSURE

Affiliate Standards Regulations governing the disclosure of information can be found at N.J.A.C. 14:4-3.4 and are incorporated herein by reference. These Information Disclosure regulations and ETG's policies with regard to Information Disclosure can be summarized as follows:

(a) ETG may provide individual proprietary information to SJI or a related competitive business segment of SJI only with prior affirmative customer written consent or as otherwise authorized by the Board and only if it is provided to unaffiliated entities on a non-discriminatory basis.

(b) ETG shall make available non-customer specific non-public information acquired as a result of operating its distribution system, including information about ETG's natural gas purchases, sales, or operations or about ETG's gas-related goods or services, to a related competitive business segment of SJI, only if ETG makes such information available, via a public posting, to all other service providers on a non-discriminatory basis, and keeps the information open to public inspection.

1. ETG is permitted to exchange proprietary information on an exclusive basis with SJI or a related competitive business segment of SJI, provided it is necessary to exchange this information in the provision of the corporate support services permitted by N.J.A.C. 14:4-3.5 (i) and (j).

2. The use by SJI or a related competitive business segment of SJI of such proprietary information is limited to its use in conjunction with the permitted corporate support services, and is not permitted for any other use.

(c) When ETG makes available a list of gas service suppliers (suppliers), the list shall only contain those suppliers who are duly licensed by the Board and comply with ETG's Board-approved tariff to operate on its distribution system. Said list shall be maintained in alphabetical order, and not highlight or otherwise promote any particular supplier.

(d) ETG may provide non-public information and data that has been received from unaffiliated suppliers to SJI or a related competitive business segment of SJI or other non-affiliated entities only if ETG first obtains written affirmative authorization to do so from said unaffiliated supplier.

(e) ETG shall not solicit the release of such information exclusively to SJI or a related competitive business segment of SJI in an effort to keep such information from other unaffiliated entities.

(f) Except upon request by a customer or as authorized in (c) above or otherwise by the Board, ETG shall not provide its customers with any list of product and/or service providers, that highlights or otherwise identifies SJI or a related competitive business

segment of SJI, regardless of whether such list also includes the names of unaffiliated entities.

(g) If a customer requests information about any affiliated product and/or service provider, ETG may acknowledge that such affiliated product and/or service provider exists, but shall provide no additional information unless it provides a list of all providers of gas-related, electricity-related, or other utility-related products and/or services in business in its service territory, including the related competitive business segment of SJI.

1. Any such list shall include all suppliers licensed by the Board.

2. Where maintaining such list would be unduly burdensome due to the number of service providers, ETG shall not provide a list and may direct the customer to a generally available listing of service providers, for example, the Board, the telephone directory or Internet.

(h) ETG shall maintain complete and accurate records, documenting all tariffed and non-tariffed transactions with SJI and a related competitive business segment of SJI, including but not limited to, all waivers of tariff or contract provisions.

(i) ETG shall maintain such records in compliance with the time frame required by N.J.A.C. 14:5-5.2 or longer if another government agency so requires.

(j) ETG shall make such records available for Board and/or Rate Counsel review upon 72 hours' notice, or at a time mutually agreeable to ETG and the Board and/or Rate Counsel.

(k) ETG shall maintain a record of all contracts and related bids for the provision of work, products and/or services to and from ETG to and from SJI or related competitive business segments of SJI in compliance with N.J.A.C. 14:5-5.2 or longer if another government agency so requires.

VI.
SEPARATION OF AFFILIATES

A. Applicable Regulations

Affiliate Standards Regulations governing the separation of affiliates can be found at N.J.A.C. 14:4-3.5 and are incorporated herein by reference. These Separation of Affiliates regulations and ETG's policies with regard to Separation of Affiliates can be summarized as follows:

- (a) ETG, SJI and related competitive business segments of SJI shall be separate corporate entities.
- (b) ETG and related competitive business segments of SJI shall keep separate books and records.
- (c) ETG's books and records shall be kept in accordance with applicable Uniform System of Accounts (USOA), 18 CFR Part 101, as amended and supplemented, which is incorporated by reference herein.
- (d) The books and records of SJI or a related competitive business segment of SJI engaged in transactions, interactions and relations with ETG shall be open for examination by the Board.
- (e) ETG shall not share office space, office equipment, services, and systems with a related competitive business segment of SJI, except to the extent appropriate to perform shared corporate support functions as follows: ETG may access the computer or information systems of a competitive related business segment of SJI or allow a related competitive business segment of SJI to access its computer or information systems, for purposes of the sharing of computer hardware and software systems, and may share office space, office equipment, services and systems, provided adequate system protections are in place to prevent the accessing of information or data between the ETG and its affiliate(s), which would be in violation of this subchapter.
- (f) Subsection (e) above does not preclude ETG from offering a joint product and/or service, provided such joint product and/or service is authorized by the Board and is available to all non-affiliated product and/or service providers on the same terms and conditions, for example, joint billing services.
- (g) ETG and SJI or related competitive business segments of SJI may make joint purchases of products and/or services, but not those associated with merchant functions.
- (h) ETG shall ensure that all such joint purchases are priced, reported, and conducted in a manner that permits clear identification of ETG's portion and SJI's portion of the related competitive business segment's portions of such purchases, and that direct costs of the joint purchase(s) as well as the indirect purchasing costs are apportioned between ETG and the related competitive business segment of SJI in direct

proportion to the relative amounts of the purchased product(s) and/or service(s) received and/or utilized, respectively, and in accordance with this subchapter and other applicable Board allocation and reporting rules.

(i) ETG, SJI and related competitive business segments, or separate business segments of SJI created solely to perform corporate support services may share joint corporate oversight, governance, support systems and personnel. Any shared support shall be priced, reported and conducted in accordance with N.J.A.C. 14:4-3.4 and this section, respectively, set forth herein, as well as other applicable Board pricing and reporting rules.

(j) Such joint utilization shall not allow or provide a means for the transfer of confidential customer or market information from ETG to a related competitive business segment of SJI in violation of this subchapter, create the opportunity for preferential treatment or unfair competitive advantage, lead to customer confusion, or create significant opportunities for cross-subsidization of a related competitive business segment of SJI. In this Compliance Plan, required pursuant to N.J.A.C. 14:4-3.7(a) through (e), a senior corporate officer from ETG and SJI shall verify the adequacy of the specific mechanisms and procedures in place to ensure ETG follows the mandates of this subchapter, and to ensure ETG is not utilizing joint corporate support services as a conduit to circumvent this subchapter.

(k) A related competitive business segment of SJI shall not trade upon, promote, or advertise its relationship with ETG, nor use ETG's name and/or logo in any circulated material, including but not limited to, hard copy, correspondence, business cards, faxes, electronic mail, electronic or hardcopy advertising or marketing materials, unless it discloses clearly and conspicuously or in audible language that:

1. SJI or related competitive business segment of SJI "is not the same company as Elizabethtown Gas";

2. SJI or related competitive business segment of SJI is not regulated by the Board; and

3. "You do not have to buy products in order to continue to receive quality regulated services from Elizabethtown Gas."

(l) The requirement of the name and/or logo disclaimer set forth in (k) above is limited to the use of the name and/or logo in New Jersey.

(m) ETG, through action or words, shall not represent that, as a result of SJI's relationship, or a related competitive business segment of SJI's relationship, with ETG, its affiliate(s) will receive any different treatment than other product and/or service providers.

(n) ETG shall not offer or provide to SJI or a related competitive business segment of SJI advertising space in ETG's billing envelope(s) or any other form of written communication to its customers, unless it provides access to all other unaffiliated service providers on the same terms and conditions.

(o) ETG shall not participate in joint advertising or joint marketing activities with SJI or related competitive business segments of SJI, which activities include, but are not limited to, joint sales calls, through joint call centers or otherwise, or joint proposals (including responses to requests for proposals) to existing or potential customers.

1. The prohibition in (o) above notwithstanding, at a customer's unsolicited request, ETG may participate, on a nondiscriminatory basis, in non-sales meetings with SJI or a related competitive business segment of SJI or any other market participant to discuss technical or operational subjects regarding ETG's provision of distribution service to the customer;

2. Except as otherwise provided for by this subchapter, ETG shall not participate in any joint business activity(ies) with SJI or a related competitive business segment of SJI which includes, but is not limited to, advertising, sales, marketing, communications and correspondence with any existing or potential customer;

3. ETG shall not participate jointly with SJI or a related competitive business segment of SJI in trade shows, conferences, or other information or marketing events held in New Jersey. For the purposes of this paragraph, "joint participation" includes any sharing of costs or facilities associated with the event, such as using the same signage, handouts, transport, advertising, booth or space, or presentation time; and

4. ETG shall not subsidize costs, fees, or payments with SJI or related competitive business segments of SJI associated with research and development activities or investment in advanced technology research.

(p) Except as permitted in (i) and (j) above, ETG and SJI or related competitive business segments of SJI that are engaged in offering merchant functions and/or electric related services or gas related services shall not employ the same employees or otherwise retain, with or without compensation, as employees, independent contractors, consultants, or otherwise.

1. Other than shared administration and overheads, employees of the competitive services business unit of the public utility holding company shall not also be involved in the provision of non-competitive utility and safety services, and the competitive services are provided utilizing separate assets than those utilized to provide non-competitive utility and safety services.

(q) ETG and SJI or related competitive business segments of SJI shall not have the same persons serving on the boards of directors as corporate officers, except for the following circumstances:

1. In instances when this subchapter is applicable to public utility holding companies, any board member or corporate officer may serve on the holding company and with either ETG or a related competitive business segment SJI, but not both ETG and a related competitive business segment of SJI; and

2. Where the electric and/or gas public utility is a multi-state utility, is not a member of a holding company structure, and assumes the corporate governance functions for the related competitive business segments, the prohibition against any board member or corporate officer of the electric and/or gas public utility also serving as a board member or corporate officer of a related competitive business segment shall only apply to related competitive business segments operating within New Jersey.

i. In the case of shared directors and officers, a corporate officer from ETG and SJI company shall verify, subject to Board approval, in ETG's Compliance Plan required pursuant to N.J.A.C. 14:4-3.7(a) through (d), the adequacy of the specific mechanisms and procedures in place to ensure that ETG is not utilizing shared officers and directors in violation of the Act or this subchapter.

(r) All employee transfers between ETG and SJI or related competitive business segments of SJI providing or offering competitive services to retail customers in New Jersey that are engaged in offering merchant functions and/or electric related services or gas related services shall be consistent with the following provisions:

1. ETG shall make a public posting of all employee transfers within three working days.

2. ETG shall track and report annually to the Board all employee transfers between ETG and such related competitive business segments of SJI.

3. Once an employee of ETG is transferred to such related competitive business segment of SJI, said employee may not return to ETG for a period of one year, unless the related competitive business segment of SJI to which the employee is transferred goes out of business or is acquired by a non-affiliated company during the one-year period.

4. In the event that an employee is returned to ETG, such employee cannot be transferred for employment by a related competitive business segment of SJI which is engaged in offering merchant functions and/or electric-related services or gas-related services for a period of one year.

(s) Employees transferring from ETG to a related competitive business segment of SJI are expressly prohibited from using any information gained from ETG, to the benefit of the related competitive business segment of SJI or to the detriment of other unaffiliated product and/or service providers.

1. Any ETG employee hired by a related competitive business segment of SJI shall not remove or otherwise provide information to said affiliate which said related competitive business segment of SJI would otherwise be precluded from having pursuant to this subchapter.

2. ETG shall not make temporary or intermittent assignments or rotations to related competitive business segments of SJI.

(t) All transfers of services not prohibited by this subchapter shall be subject to the following provisions:

1. Transfers from ETG to a related competitive segment of SJI of services produced, purchased or developed for sale on the open market by ETG will be priced at no less than the fair market value;

2. Transfers from a related competitive business segment of SJI to ETG of services produced, purchased or developed for sale on the open market by the related competitive business segment of SJI shall be priced at no more than fair market value;

3. Prices for services regulated by a state or Federal agency shall be deemed to be the fair market value;

4. Services produced, purchased or developed for sale on the open market by ETG shall be provided to related competitive business segments of SJI and unaffiliated company(ies) on a nondiscriminatory basis, except as otherwise required or permitted by this subchapter or other applicable law;

5. Transfers of services not produced, purchased or developed for sale on the open market by ETG from ETG to related competitive business segments of SJI shall be priced at fully allocated cost; and

6. Transfers of services not produced, purchased or developed for sale on the open market by a related competitive business segment of SJI from that related competitive business segment of SJI to ETG shall be priced at the lower of fully allocated cost or fair market value.

(u) All transfers, leases, rentals, licenses, easements or other encumbrances of utility assets to SJI or related competitive business segments of SJI not prohibited by this subchapter shall be subject to the following pricing provisions, consistent with all other applicable Board rules:

1. Transfers, leases, rental, licenses, easements or other encumbrances of utility assets from ETG to a related competitive business segment of SJI shall be recorded at fair market value or book value; and

2. Transfers, leases, rental, licenses, easements or other encumbrances of assets from a related competitive business segment of SJI to the ETG shall be recorded at the lesser of book value or fair market value.

B. Compliance Procedures

1. **Corporate Entities.** ETG and its RCBS Affiliates are separate corporate entities (please see Exhibits A and B, attached to this Plan). N.J.A.C. 14:4-3.5(a).
2. **Books and Records.** The books and records of ETG and its RCBS Affiliates are separately kept and will be open for examination by the BPU. N.J.A.C. 14:4-3.5(d). Also in compliance with N.J.A.C. 14:4-3.4(j), ETG shall make such books and records available for BPU and/or Rate Counsel review upon 72 hours notice or at a mutually agreeable time.
3. **Sharing of Plant, Facilities, Equipment or Costs.** ETG and its RCBS Affiliates do not share the same office space. N.J.A.C. 14:4-3.5(e). To the extent that sharing is permitted under these Regulations, such sharing shall not create the opportunity for preferential treatment or unfair competitive advantages, lead to customer confusion or create significant opportunities for the cross-subsidization of ETG's RCBS Affiliates. N.J.A.C. 14:4-3.5(j).
4. **Joint Products and Services.** If ETG offers a product or service in conjunction with an affiliated company, that offering will be authorized by the Board and will be made available to all non-affiliated product or service providers on the same terms and conditions. N.J.A.C. 14:4-3.5(f).
5. **Joint Purchases.** ETG and its RCBS Affiliates may make joint purchases of products and services, provided that there is a clear identification and allocation of the direct product costs and indirect purchasing costs between ETG and the RCBS Affiliates. SJI's Cost Allocation Manual (CAM) documents SJI's cost allocation policies and philosophies. This includes documentation on fully allocated costing as well as details on corporate support services pricing and cost flows.
6. **Corporate Support.** ETG shares services, provided by SJI, and systems with its RCBS Affiliates. ETG has established adequate system protections to prevent the accessing of confidential customer and market information between ETG and its RCBS Affiliates. N.J.A.C. 14:4-3.5(e)(1)(i). Corporate support services do not provide a means to create the opportunity for preferential treatment or unfair competitive advantages, lead to customer confusion or create significant opportunities for the cross-subsidization of its RCBS Affiliates. N.J.A.C. 14:4-3.5(j).
7. **Corporate Identification and Advertising.** A RCBS Affiliate of ETG will not trade upon, promote or advertise its relationship to ETG nor will it use the utility's name and/or logo in any publicly circulated materials in New Jersey without clear and conspicuous language disclosing its independent status.

8. **Employees.** ETG will comply fully with the Regulations related to restrictions on employees. Any transfers of employees between ETG and SJI or a RCBS Affiliate will comply fully with the Affiliate Rules. All employees transferring between ETG and a RCBS Affiliate will agree that the confidentiality of customer information, as defined herein and in the Regulations, will be strictly maintained.
9. **Corporate Officers and Board Members.** ETG and its RCBS Affiliates do not have common corporate officers or board members. N.J.A.C. 14:4-3.5(q). Accordingly, a corporate officer or board member may serve with SJI and ETG or SJI and a RCBS Affiliate, but may not serve with ETG and a RCBS Affiliate. SJI's General Counsel is responsible for verifying the adequacy of the procedures in place to assure that ETG is compliant with this regulation and also the regulation regarding shared corporate officers and board members. N.J.A.C. 14:4-3.5(q)(2)(i).
10. **Transfer of Services.** Transfer of services from ETG to a RCBS Affiliate that were: (1) produced, purchased or developed for sale on the open market will be priced at no less than the fair market value; and (2) not produced, purchased or developed for sale on the open market shall be priced at fully allocated cost. Any services produced, purchased or developed for sale on the open market by ETG will be provided to RCBS Affiliates and unaffiliated companies on a nondiscriminatory basis, except as otherwise permitted by the Regulations. Transfer of services from a RCBS Affiliate to ETG that were: (1) produced, purchased or developed for sale on the open market will be priced at no more than the fair market value; and (2) not produced, purchased or developed for sale on the open market shall be priced at the lower of fully allocated cost or fair market value. N.J.A.C. 14:4-3.5(t).
11. **Transfer, Lease or Rental of Utility Assets.** Transfers of assets, leases, licenses, etc. from ETG to a RCBS Affiliate will be recorded at the greater of book value or fair market value and similar transfers from a RCBS Affiliate to ETG will be recorded at the lesser of book value or fair market value. N.J.A.C. 14:4-3.5(u)(1).

VII.
COMPETITIVE PRODUCTS AND SERVICES

A. Applicable Regulations

Affiliate Standards Regulations governing competitive products and services can be found at N.J.A.C. 14:4-3.6 and are incorporated herein by reference. These Competitive Products and Services regulations and ETG's policies with regard to Competitive Products and Services can be summarized as follows:

(a) Except as provided for in the Regulations, ETG or a related competitive business segment ETG shall not offer competitive products and/or services without the prior review and approval by the Board of a proposed tariff, except where pre-empted by Federal law.

1. SJI may offer a competitive service to retail customers of ETG, but only through a related business segment of SJI that is not a related business segment of ETG; provided however, that in the event that a gas public utility is not part of a holding company legal structure, competitive services may be offered by a related competitive business of that gas public utility as long as that related competitive business segment is structurally separated from the gas public utility, and provided that interactions between the gas public utility and the related competitive business segment are in compliance with this subchapter.

(b) ETG or its related competitive business segment may only offer to provide the following competitive products and/or services:

1. Metering, billing or administrative services that are deemed competitive by the Board pursuant to N.J.S.A. 48:3-56.

2. Products and/or services related to customer and public safety and reliability of non-competitive utility services as determined by the Board;

3. Competitive products and/or services that have been offered by any electric and/or gas public utility in the State prior to January 1, 1993 or that have been approved by the Board prior to February 9, 1999, to be offered by any electric and/or gas public utility in the State;

4. Products and/or services that are substantially similar, as determined by the Board, to competitive services that have been offered by any electric and/or gas public utility in the State prior to January 1, 1993 or that have been approved by the Board prior to February 9, 1999 to be offered by any electric and/or gas public utility in the State and, in the case of electric public utilities, for which a request for approval by the public utility seeking to offer such service had been filed with the Board on or before July 1, 1998; or

5. Competitive services to non-residential customers using existing public utility employees.

(c) For a competitive product and/or service that has been offered by an electric and/or gas public utility prior to January 1, 1993 or that has been approved by the Board prior to February 9, 1999, the electric and/or gas public utility may continue offering such product or service, provided, however that if the electric and/or gas public utility does not have a tariff for the service on file with the Board, the electric and/or gas public utility shall file with the Board by July 18, 2008, a tariff setting forth the pricing terms, and other terms and conditions of the product and/or service.

(d) For any new competitive product and/or service that an electric and/or gas public utility or its related competitive business segment intends to offer, the electric and/or gas public utility shall file a proposed public tariff to the Board for its review and approval for the new product and/or service, along with the information in the subchapter Appendix incorporated herein by reference.

(e) Copies of the petition for approval, including proposed tariff and other required information, shall be certified and shall be accompanied by a certificate of service demonstrating that the petition was served on the Division of the Ratepayer Counsel simultaneous to its submission to the Board.

(f) All tariffs for competitive services filed with the Board shall be in the public records unless the rates contained therein are determined to be proprietary, in which case said tariffs shall be filed under seal and made available under the terms of an appropriate protective agreement as provided by Board order. The public utility shall have the burden of proof by affidavit and motions to demonstrate the need for proprietary treatment. The rates shall become public upon Board approval.

(g) The Board may approve a proposed new competitive product and/or service filing if the electric and/or gas public utility has demonstrated and the Board determines that:

1. The proposed product and/or service is competitive, consistent with the standards for competitive products and/or services set forth in the Act and as determined by the Board;

2. The provision of the proposed product and/or service by the electric and/or gas public utility will not adversely impact the electric and/or gas public utility's ability to offer its non-competitive services to customers in a safe, adequate and proper manner, and that in all instances where resources are jointly deployed by the electric and/or gas public utility to provide competitive and non-competitive services and resource constraints arise, the provision of safety- and reliability-related and non-competitive services receives the higher priority;

3. The competitive product and/or service will be offered in a non-discriminatory manner to all customers; and

4. The price that the electric and/or gas public utility or its related competitive business segment will charge for the competitive products and/or service will equal or exceed the fully allocated cost to the electric and/or gas public utility or its related competitive business segment to provide the competitive product and/or service, and will not otherwise result in cross-subsidization.

(h) Notwithstanding any other provisions of this subchapter, the Board may determine that any service shall remain regulated for purposes of public safety and welfare. Notwithstanding the other provisions of this subchapter, an electric and/or gas public utility shall continue to offer safety-related services, as determined by the Board, free of charge to its customers or as otherwise determined by the Board.

(i) All ETG employees who are directly involved in the provision of non-competitive services, as well as competitive services, or who are involved in the provision of more than one competitive service, shall maintain complete and accurate time logs to track and record the amount of time spent in the performance of each service. For those employees who travel to remote or customer locations in the provision of competitive services, time logs shall account for and allocate as time to the competitive service all time spent traveling to and from each competitive service job, as well as the time spent performing related diagnostics, repair and/or installation, and allocated share of downtime.

(j) ETG is responsible for and has an ongoing obligation to track, monitor and update, as necessary, its fully allocated cost of providing each competitive product and/or service offering by itself or its related competitive business segment, and to ensure that the price it or its related competitive business segment charges for each such competitive product and/or service at all times equals or exceeds the fully allocated cost of providing such competitive products and/or services and to file the notification required by (t) and (u) below.

(k) ETG is responsible for and has an ongoing obligation to ensure that related competitive business segment's offering of competitive products and/or services does not adversely impact its ability to provide safe, adequate and proper electric and/or gas public utility service.

(l) ETG is responsible for and has an ongoing obligation to ensure that it or its related competitive business segment's competitive products and/or services are offered in a non-discriminatory manner to all customers.

(m) An ETG employee engaged in providing non-competitive, regulated services shall not:

1. Solicit competitive services business on behalf of the public utility or its related competitive business segment, or provide business leads to the public utility's or its related competitive business segment's employees engaged in the offering of competitive services;

2. Share market analysis reports or other type(s) of proprietary or non-publicly available reports, including but not limited to market, forecast, planning or strategic reports, with the public utility's employees involved in the offering of competitive products and/or services, or with employees of a related competitive business segment of the public utility, unless such information is made available on a non-discriminatory basis to all other service providers and the information is kept open to public inspection;

3. Represent or imply that a customer will receive preferential treatment as a consequence of obtaining competitive products and/or services from the public utility or its related competitive business segment as opposed to a non-affiliated service provider;

4. Provide a customer preferential treatment as a consequence of obtaining competitive products and/or services from the public utility or its related competitive business segment as opposed to a non-affiliated service provider;

5. Process any request for non-competitive services offered by the electric and/or gas public utility on a preferential or discriminatory basis for a customer taking competitive products and/or services from the public utility or its related competitive business segment, as opposed to taking such products and/or services from a non-affiliated provider;

6. Condition or otherwise tie the provision of any non-competitive services provided by the public utility, nor the availability of discounts of rates or other charges or fees, rebates, or waivers of terms and conditions of any non-competitive products and/or services provided by the public utility to the taking of any competitive products and/or services from the public utility or its related competitive business segment; or

7. Assign customers to which the public utility currently provides products and/or services to its related competitive business segment, whether by default, direct assignment, option or by any other means, unless that means is equally available to all competitors.

(n) ETG and/or its related competitive business segment shall maintain, within its general ledger, separate subledgers for each competitive service and/or product offered. The subledgers shall contain assets, revenue and expense accounts as necessary to record all transactions of each competitive product and/or service offered. Each electric and/or gas public utility and/or its related competitive business segment shall also track the following:

1. The total number of customers;
2. The total revenues received by the utility;
3. The dedicated assets of the utility;
4. The carrying costs on dedicated assets;
5. The portion of shared assets allocated to the competitive service(s);
6. The dedicated expenses incurred in the start-up, promotion, and provision of service;
7. The fully-allocated shared expenses;

8. The total margins, defined as the difference between the total revenues received and the total expenses;
9. The net revenues, defined as the difference between total revenues and dedicated expenses; and
10. Any other item that the Board determines is necessary to enable the Board to evaluate that utility or related competitive business segment's compliance with this subchapter.

(o) Each electric and/or gas public utility shall file with the Board, by no later than 45 days following the close of each calendar year, an annual financial report and, no later than six months thereafter each year, a semi-annual financial report, providing information on the financial performance of each competitive product and/or service offering made by the public utility and/or its related competitive business segment, utilizing the information compiled pursuant to (n) above.

(p) Each electric and/or gas public utility is responsible in the preparation of its annual and semi-annual reports to be filed in accordance with (o) above, to reflect the most current cost information available to report the financial performance of it and/or its related competitive business segment's competitive product and/or service offerings.

(q) All transfers, leases or rental of utility assets from ETG to a related competitive business segment of the ETG, for purpose of the asset becoming a dedicated asset of the related competitive business segment of ETG, shall be recorded at the greater of book cost or fair market value and shall be subject to approval by the Board.

(r) The revenues received by an electric and/or gas public utility or its related competitive business segment(s) for the provision of a competitive product and/or service shall be treated in accordance with the applicable Uniform System of Accounts (USOA), 18 CFR Part 101. Specifically, the following revenues shall be treated in the following manner:

1. The level of gross revenues representing the fully allocated cost of providing the service shall be recorded in the respective competitive service revenue account and treated above-the-line for ratemaking purposes and credited to ratepayers;

2. For electric public utilities and related competitive business segments of electric public utilities except as set forth in (r)(3) below, pursuant to N.J.S.A. 48:3-55(b), 50 percent of the total margins shall be recorded in respective competitive service revenue accounts and treated above-the-line for ratemaking purposes and credited to ratepayers via a credit to the market transition charge, or distribution service charge;

3. For a related competitive business segment of an electric public utility, 25 percent of the total margins shall be recorded in respective competitive service revenue accounts and treated above-the-line for ratemaking purposes and credited to ratepayers of the electric public utility via a credit to the market transition charge, or distribution service charge; and

4. For gas public utilities the total margins shall be treated above-the-line for ratemaking purposes and credited to ratepayers.

(s) Revenues received by an electric and/or gas public utility as the result of a transfer of services or a transfer, lease or rental of assets to an affiliate shall be recorded in respective competitive service revenue accounts in accordance with applicable Uniform System of Accounts (USOC), 18 CFR Part 101 and credited to ratepayers.

(t) Each electric and/or gas public utility is required to file a public tariff with the Board for each competitive product and/or service it or its related competitive business segment offers in the State, setting forth the pricing terms and other terms and conditions associated with these competitive products and/or services.

(u) Subsequent to the filing of an initial tariff for an existing competitive product and/or service offering pursuant to (c) above, or subsequent to the initial approval by the Board for the offering of a new competitive product and/or service by an electric or gas public utility or its related competitive business segment pursuant to (r)² above respectively, an electric and/or gas public utility or its related competitive business segment may make modifications to the pricing terms or other terms and conditions of a competitive product and/or service offering without further approval of the Board, provided that the electric and/or gas public utility shall notify the Board of the proposed change at least 30 days prior to its intended implementation. Such notification shall include:

1. A proposed revised tariff with changes in pricing and/or other terms and conditions clearly identified; and

2. An affidavit from an officer of the electric and/or gas public utility, including justification, that the proposed changes do not render the product and/or service offering in non-compliance with the standards for approval set forth in (g) and (h) above.

(v) Any change by an electric and/or gas public utility or its related competitive business segment of a previously Board-approved competitive product and/or service offering, which change shall include, but is not limited to, an expansion of the product and/or service offering outside of the electric and/or gas public utility's franchise area, shall require the review and prior approval of the Board in accordance with (t) above.

(w) An electric and/or gas public utility proposing a substantive change in offering by itself or its related competitive business segment shall submit to the Board, at least 60 days prior to the intended effective date of the change in offering, information sufficient to demonstrate that the change in offering will not adversely impact the ability of said electric or/gas public utility to provide safe, adequate and proper electric and/or gas public utility service.

(x) In the event that the Board determines that an electric and/or gas public utility or its connected competitive business segment has offered a competitive product and/or service without the prior approval of the Board pursuant to (a) through (f), (g) and (h), or (v) and (w) above, or without the prior notification to the Board pursuant to (t) and (u) above, such electric and/or gas public utility or its related competitive business segment shall immediately be required to cease and desist such unauthorized product and/or service offerings for a period of at least 90 days as determined by the Board and, subject to further hearings of the Board, may be subject to further penalties as determined by the Board pursuant to N.J.A.C. 14:4-3.9(b).

(y) In the event that the Board determines as a result of the audit performed pursuant to N.J.S.A. 48:3-56, N.J.A.C. 14:4-3.7(e) through (g) or by other means, after providing the electric and/or gas public utility an opportunity to be heard, pursuant to Section 8(f)3 of the Act, that an electric and/or gas public utility or its related competitive business segment has violated any provision(s) of this section, the Board may take one or more of the following actions:

1. Order a reimbursement, including interest, to competitive product and/or service offering customers of any overcharges resulting from the violation;

2. Order a reimbursement to electric or/gas public utility ratepayers, including interest, of any cross-subsidy(ies) found to have been provided to the competitive product and/or service offerings;

3. Impose a penalty of up to \$10,000 for each such violation;

4. For a first violation:

- i. Order a violating electric and/or gas public utility to cease some or all competitive product and/or service offerings and form a related competitive business segment of the public utility to perform the competitive product and/or service offerings; or

- ii. Order a violating related competitive business segment of an electric or/gas public utility to cease some or all competitive product and/or service offerings and permit further competitive offerings only through a related competitive business segment of the public utility holding company; and

5. For a second and subsequent violations:

- i. Order a violating related competitive business segment of the previously-violating public utility to cease some or all competitive product and/or service offerings and permit further competitive offerings only through a related competitive business segment of the public utility holding company.

B. Compliance Procedures

1. **Products or Services.** ETG does not offer competitive products or services. ETG shall continue to offer safety-related services free of charge to its customers, as determined by the Board. N.J.A.C. 14:4-3.6(h).
2. **New Competitive Products or Services Offerings.** Any new retail competitive product or service that ETG will propose to offer in New Jersey will be pursuant to a proposed tariff filed with the Board for its review and approval, with all necessary information to meet the Applicable Regulations. N.J.A.C. 14:4-3.6(d) and (g). All new competitive offerings must be reviewed by appropriate ETG personnel to ensure that the pricing will equal or exceed the fully allocated cost to ETG and will not result in cross-subsidization before filing. N.J.A.C. 14:4-3.6(g)(4).
3. **Modifications to Competitive Products or Services Offerings.** ETG may make modifications to the pricing and other terms of an approved competitive service without further approval of the Board. Provided that ETG must notify the Board at least 30 days prior to the date of implementation. N.J.A.C. 14:4-3.6(u) and (v). However, substantive changes to competitive offerings must be submitted to the Board 60 days prior to the intended effective date and provide information pursuant to N.J.A.C. 14:4-3.6(w). These notices will be made by the Rates and Revenue Requirements Department.
4. **Capturing data related to Competitive Products or Services Offerings.** At the time a competitive service or product is approved by the Board, ETG will require comprehensive time reporting by its employees who are involved in providing both retail competitive and non-competitive services or more than one competitive service in compliance with N.J.A.C. 14:4-3.6(i). In addition, ETG's work management and accounting systems will be adapted to capture all revenue and expenses and other data related to offering and providing competitive products and services in compliance with N.J.A.C. 14:4-3.6(n).
5. **Financial Reports to the Board.** Subsequent to the approval of a competitive service or product offering approved by the Board, the Rates and Revenue Requirements Department will file annual and semi-annual financial reports with the Board in compliance with N.J.A.C. 14:4-3.6(o), using the data collected pursuant to N.J.A.C. 14:4-3.6(n).
6. **Transfer, Lease or Rental of Assets.** If ETG transfers, leases or rents an asset to one of its RCBS Affiliates with the intention of that asset becoming a dedicated asset of the affiliate, the value of that asset shall be recorded at the greater of net book cost or fair market value, pursuant to all applicable laws and regulations and subject to Board approval. N.J.A.C. 14:4-3.6(q). See Exhibit 6-A transfer procedure.
7. **Practices to Promote Fair Competition.** ETG employees engaged in providing non-competitive, regulated services have been instructed to ensure that a RCBS affiliate will not gain an unfair advantage simply due to its affiliation with ETG. N.J.A.C. 14:4-3.6(m).

VIII.
REGULATORY OVERSIGHT

A. Applicable Regulations

Affiliate Standards Regulations governing regulatory oversight can be found at N.J.A.C. 14:4-3.7 and are incorporated herein by reference. These Regulatory Oversight regulations and ETG's policies with regard to Regulatory Oversight can be summarized as follows:

(a) ETG shall file its compliance plan with the Board and provide a copy of said plan to the Rate Counsel at least once in every 12 month period or upon changes to the plan, and thereafter, within 12 months of the revised plan.

(b) Said compliance plan shall demonstrate that there are adequate procedures in place to ensure compliance with this subchapter and shall include the electric and/or gas public utility's dispute resolution procedure pursuant to N.J.A.C. 14:4-3.8(a).

1. Said compliance plan shall contain an accurate list of all affiliates of ETG, including the business name and address, name and business telephone number of at least one officer of each affiliate and a brief description of the business of each affiliate.

i. The information required by subsection (b)1 above shall be updated within five business days of any change(s) thereto, and a public posting of the information shall also be made within that time period.

(c) Absent Board action to the contrary, the electric and/or gas public utility's compliance plan shall be in effect between its filing and the Board's decision.

(d) Upon the creation of a new affiliate that is covered by this subchapter, ETG shall immediately notify the Board, as well as make a public posting thereof.

(e) Every two years, or more often at the discretion of the Board, ETG shall have an audit prepared by an independent auditor, to be selected by the Board, which verifies that ETG is in compliance with this subchapter.

1. The scope of the audit shall be established by the Board and shall take into consideration E T G ' s level of activity with its affiliates.

(f) An audit performed by an independent auditor shall be at the electric and/or gas public utility's expense.

B. Compliance Procedures

1. **Compliance Plan.** This Compliance Plan and attached exhibits provide for the Regulatory Oversight as required by the Affiliate Regulations. ETG will submit this Compliance Plan to

the Board, with a copy to the Division of Rate Counsel, in accordance with the requirements of the regulations.

2. **Responsibility for Compliance Oversight.** The Regulatory Affairs Counsel for ETG will be responsible for overseeing compliance with the NJBPU's Affiliate Standards regulations. In this capacity, counsel will have responsibility for assuring senior executive management and the board of directors that:
 - ETG's affiliate standards compliance planning is adequate;
 - Adequate controls exist to ensure compliance; and
 - Compliance is adequate in all material respects.

IX.
DISPUTE RESOLUTION

A. Applicable Regulations

Affiliate Standards Regulations governing dispute resolution can be found at N.J.A.C. 14:4-3.8 and are incorporated herein by reference. These Dispute Resolution regulations and ETG's policies with regard to Dispute Resolution can be summarized as follows:

(a) ETG shall establish and file annually with the Board a dispute resolution procedure, including the establishment of a telephone complaint hotline, to address complaints alleging violations of this subchapter.

1. The procedure shall be included in ETG's annual compliance plan.

(b) At a minimum, the procedure shall designate a person to conduct an investigation of the complaint and communicate the results of the investigation to the complainant, in writing, within 30 days after the complaint is received, including a description of any action taken.

(c) ETG shall report any violation of this subchapter to the Board, with a copy provided to the Division of Rate Counsel, within five (5) business days of becoming aware of any such violation(s).

(d) ETG shall maintain a log of all resolved and pending complaints. The log shall be subject to review by the Board and Rate Counsel and shall contain, at minimum, a summary of the complaint, the manner in which the complaint was resolved, or an explanation why the complaint remains pending.

B. Compliance Procedures

ETG utilizes the My Safe Workplace platform for reporting disputes related to Affiliate Standards. ETG will report violations of the Affiliate Regulations to the Board and provide a copy to Rate Counsel within five (5) days of becoming aware of the violation. A file of all violations will be maintained and will contain information pursuant to N.J.A.C. 14:4-3.8(d).

X.
VIOLATIONS AND PENALTIES

A. Applicable Regulations

Affiliate Standards Regulations governing violations and penalties can be found at N.J.A.C. 14:4-3.9 and are incorporated herein by reference. These Violations and Penalties regulations and ETG's policies with regard to Violations and Penalties can be summarized as follows:

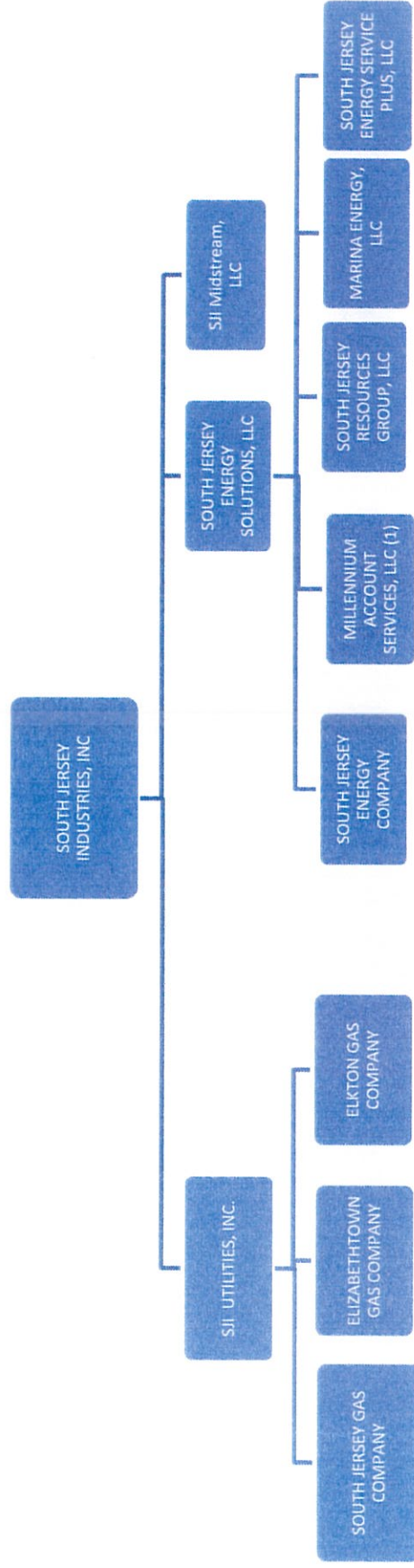
(a) If, as a result of an audit conducted pursuant to N.J.A.C. 14:4-3.7(e) through (f), or by any other means, the Board determines that ETG has committed violations of N.J.A.C. 14:4-3.3, 3.4, 3.5, 3.7 or 3.8 which are not substantial violations as described in (b) below, the Board is authorized to impose a penalty of up to \$10,000 for each such violation upon ETG.

(b) If, as a result of an audit conducted pursuant to N.J.A.C. 14:4-3.7(e) through(g) or by any other means, the Board determines after providing ETG notice of a public hearing and an opportunity to be heard, that ETG has committed violations of N.J.A.C. 14:4-3.3, 3.4, 3.5, 3.7 or 3.8 which are substantial in nature so as to result in unfair competitive advantages for ETG, the Board is authorized to take some or all of the following actions:

1. Impose a penalty of up to \$10,000 for each such violation(s);
2. Order appropriate reimbursement to ETG's ratepayers, including interest;
3. For a first violation:
 - i. Order ETG to cease some or all competitive product and/or service offerings and form a related competitive business segment of the public utility to perform the competitive product and/or service offerings; or
 - ii. Order ETG to cease some or all competitive product and/or service offerings through a related competitive business segment of the public utility holding company; and/or
4. For a second violation:
 - i. Initiate a hearing to reconsider its approval of the formation of the public utility holding company.

EXHIBIT A

SJI Corporate Structure Principal Subsidiaries



1) Jointly owned with Atlantic City Electric, subsidiary of Pepco Holdings Inc.

EXHIBIT B

SJI Company Descriptions

Principal Subsidiaries

Company Name & Location	Company Abstract	Company Officers
<p>South Jersey Industries, Inc. 1 South Jersey Plaza Folsom, NJ 08037 Phone: 609-561-9000</p>	<p>South Jersey Industries (NYSE: SJI) is an energy services holding company for utility and non-regulated businesses. A member of the MSCI Global Climate Index, SJI offers solutions to climate change and helps customers control energy costs. SJI operates a regulated natural gas utility, South Jersey Gas, and several non-regulated companies under the corporate name of South Jersey Energy Solutions. These businesses focus on energy project installations, including CHP and solar, as well as retail and wholesale electric and natural gas commodity activities, and appliance service.</p>	<p>Michael J. Renna, President & CEO</p>
<p>SJI Utilities, Inc. 1 South Jersey Plaza Folsom, NJ 08037 Phone: 609-561-9000</p>	<p>Formed to manage shared services for the three regulated utilities.</p>	<p>Dave Robbins, Jr, President</p>
<p>South Jersey Gas Company 1 South Jersey Plaza Folsom, NJ 08037 Phone: 609-561-9000</p>	<p>South Jey Gas is a subsidiary of South Jersey Industries (NYSE: SJI) and provides natural gas utility service to approximately 364,000 residential, commercial and industrial customers in Atlantic, Cape May, Cumberland, Salem, and significant portions of Gloucester, Burlington and Camden counties in New Jersey.</p>	<p>Craig Jennings, President</p>

EXHIBIT B

Company Name & Location	Company Abstract	Company Officers
Elizabethtown Gas Company 520 Green Lane Union, NJ 07083 Phone: 908-662-8450	Elizabethtown Gas Company is a subsidiary of South Jersey Industries (NYSE: SJI) and provides natural gas utility service to approximately 292,000 residential, commercial and industrial customers.	Brian MacLean, President
Elkton Gas Company 125 E. High Street Elkton, NJ 21921 Phone: 908-662-8450	Elkton Gas Company is a subsidiary of South Jersey Industries (NYSE: SJI) and provides natural gas utility service to approximately 6,740 residential, commercial and industrial customers.	Brian MacLean, President
SJI Midstream, LLC 1 South Jersey Plaza Folsom, NJ 08037 Phone: 609-561-9000	SJI Midstream, LLC was formed to hold SJI's ownership interest in the PennEast Pipeline project.	Stephen H. Clark, President
South Jersey Energy Solutions LLC 1 N. White Horse Pike Hammonton, NJ 08037 Phone: 609-568-9028	South Jersey Energy Solutions provides innovative, environmentally friendly energy solutions that help customers control their energy costs and consumption. SJES' subsidiaries are grouped into two primary areas referred to as South Jersey Energy Services and South Jersey Energy Group.	Stephen H. Clark, President
South Jersey Energy Company 1 N. White Horse Pike Hammonton, NJ 08037 Phone: 609-568-9028	SJE is a licensed energy supplier for commercial, industrial and residential customers. SJE acquires and markets natural gas and electricity to retail end users and provides energy related services to help businesses reduce their energy usage and costs.	Stephen H. Clark, President
South Jersey Resources Group, LLC 1 N. White Horse Pike Hammonton, NJ 08037 Phone: 609-568-9028	SJRG provides wholesale commodity marketing and risk management services primarily in the mid-Atlantic region.	Stephen H. Clark, President

EXHIBIT B

Company Name & Location	Company Abstract	Company Officers
Marina Energy, LLC 1 N. White Horse Pike Hammonton, NJ 08037 Phone: 609-568-9028	Marina Energy develops and operates on-site energy projects, including thermal facilities serving hot and chilled water for casinos, cogeneration facilities, solar installations and landfill gas-to-electricity facilities.	Stephen H. Clark, President
South Jersey Energy Service Plus, LLC 1 N. White Horse Pike Hammonton, NJ 08037 Phone: 609-568-9028	SJESP services residential and commercial heating, air conditioning and water heating systems, services appliances, provides plumbing services and performs energy audits. As of Q4 2017, substantially all of SJESP's operations were successfully transferred to a third-party entity.	Stephen H. Clark, President
Millennium Account Services 309 Fries Mill Rd. Echo Plaza – Unit 6B Sewell, NJ 08080 Phone: 856-256-9130	Created in 1999, Millennium Account Services is a jointly-owned meter reading subsidiary of South Jersey Industries and Atlantic City Electric.	Lisa Vallaster, Vice President



**Elizabethtown Gas
Company
Affiliate Standards
Communication Plan**

SEPTEMBER 2018

Contents

Section I	Plan Overview
Section II	Standards Needing Focused Communication Message, Audience, Methods <ul style="list-style-type: none">• Business Development & Customer Relations• Customer Information• Non-Public Supplier Information• Product and/or Service Provider Information• Transactions• Supplier Lists• Joint Advertising or Marketing
Section III	Handouts/Memos for Employees <ul style="list-style-type: none">• Affiliate Standards Refresher• Summary of NJBPU General Standards for Affiliate Transactions• Business Development & Customer Relations• Customer Information• Non-Public Supplier Information• Product and/or Service Provider Information• Transactions• Supplier Lists• Joint Advertising or Marketing
Section IV	Customer Care Center Guidelines

Section I – Plan Overview

The New Jersey Board of Public Utilities (“NJBP”) has issued standards governing the interactions between utilities and their affiliated companies. These regulations, and ETG’s policies regarding compliance with these regulations, are set forth in the Affiliate Relations, Fair Competition and Accounting Standards and Related Reporting Requirements Compliance Plan (hereinafter the “Affiliate Standards Compliance Plan”). Selected areas of these standards must be communicated to targeted groups of ETG employees, and others must be conveyed to the general employee population. The Affiliate Standards Regulations can be found at N.J.A.C. 14:4-3, et seq. This Communication Plan identifies:

- **What needs to be communicated;**
- **Who should receive the information; and**
- **How the information will be disseminated.**

Certain sections of the standards have been communicated to select employees since the onset of this program. Initially, all supervisory personnel received a general memo providing an overview of the standards from the President of ETG. Selected department heads received memos referencing sections of the standards for review and were asked to ensure departmental compliance with the requirements.

Further employee communication focused on the following sections of the Affiliate Standards Regulations: Transactions (N.J.A.C. 14:4-3.3(d)(1) & (2) and 14:4-3.5(g), (i) & (j)); Business Development & Customer Relations (N.J.A.C. 14:4-3.3(o) & (p)); Customer Information (N.J.A.C. 14:4-3.4(a)); Supplier Lists (N.J.A.C. 14:4-3.4(c)); Non-Public Supplier Information (N.J.A.C. 14:4-3.4(d) & (e)); and Product and/or Service Provider Information (N.J.A.C. 14:4-3.4(f) & (g)).

This Communication Plan was developed to identify initial education methods for new employees as well as continuing education methods for all existing employees.

New Employees

The Affiliate Standards Compliance Plan and the Handouts/Memos for employees must be provided by the Human Resources Department to all new employees upon commencement of employment. The Handouts/Memos contained in Section III of this Communication Plan are included in the Human Resources Manual provided to all new employees upon commencement of employment and all employees are required to sign an acknowledgment of their responsibility to read and understand the documents. New employees are also directed to the SJI intranet, where a complete copy of the Affiliate Standards Compliance Plan can be viewed.

Existing Employees

To ensure continuing compliance by existing employees, in-person Affiliate Standards training will be provided to all ETG employees every two years. This practice commenced in 2018. At the conclusion of each meeting, employees are provided with the Handouts/Memos included in Section III of this Communication Plan. In years in which in-person Affiliate Standards training is not conducted, these Handouts/Memos will be provided to all ETG employees by the ETG employee responsible for Affiliate Standards compliance.

In addition to all ETG employees, in-person training and alternate year Handouts/Memos will be provided to the following South Jersey Industries (SJI) departments:

- Administrative Services
- Corporate Communications/Public Relations
- Human Resources
- Office of General Counsel & Secretary
- Information Technology
- Risk Management

Section II- Standards Needing Focused Communication

This Section contains the standards needing focused communication including the message, audience and methods of communication. The standards include:

<u>TOPIC</u>	<u>N.J.A.C. SECTION</u>
• Business Development & Customer Relations	14:4-3.3(o) & (p)
• Customer Information	14:4-3.4(a)
• Non-Public Supplier Information	14:4-3.4(d) & (e)
• Product and/or Service Provider Information	14:4-3.4(f) & (g)
• Transactions	14:4-3.3(d) (1) & (2) 14:4.3-5(g) (i) & (j)
• Supplier Lists	14:4-3.4(c)
• Joint Advertising or Marketing	14:4-3.5(o)

**Business Development & Customer Relations
and**

Customer Information

Message: The messages that we need to convey to employees are as follows:

- ❖ ETG may not provide any assistance or services to SJI, SJE, SJESP, SJRG or Marina relating to customer enrollment, marketing or business development **unless those same services are offered to all competitors on a non-discriminatory basis.**

Some examples of what ETG employees **may not** do are listed below. Prohibited activities are not limited to those listed.

- Provide leads to SJI, SJE, SJESP, SJRG or Marina
 - Solicit business on behalf of SJI, SJE, SJESP, SJRG or Marina
 - Acquire information for SJI, SJE, SJESP, SJRG or Marina
 - Share market analysis reports or any other non-public documents with SJI, SJE, SJESP, SJRG or Marina
 - Share customer usage or end-use equipment information obtained while serving the customer including administration of demand-side management programs
 - Ask their customers for permission to pass information exclusively to SJI, SJE, SJESP, SJRG or Marina
 - Represent or imply that ETG speaks for SJI, SJE, SJESP, SJRG or Marina or that the customer will receive preferential treatment if they do business with SJI, SJE, SJESP, SJRG or Marina
 - Represent or imply that SJI, SJE, SJESP, SJRG or Marina speak on behalf of ETG
- ❖ ETG employees may at the unsolicited request of the customer offer advice or assistance regarding SJI, SJE, SJESP, SJRG or Marina or other provider as long as that information is provided on a non-discriminatory basis

The message condensed into one easy sentence to remember is:
“A utility employee cannot do or say anything that would give an unfair advantage to SJI, SJE, SJESP, SJRG or Marina over one of its competitors.”

- ❖ ETG may provide customer information to SJI, SJE, SJESP, SJRG or Marina or any other provider upon request as long as:

1) the customer gives prior written consent; or 2) the NJBPU authorizes us to do so. This transaction must be done on a non-discriminatory basis.

➤ Examples of the types of customer information that are considered to be "proprietary" and subject to the requirement that the customer or the NJBPU authorize its disclosure to an affiliate include, but are not limited to:

1. Customer names
2. Customer addresses
3. Customer natural gas consumption
4. Customer natural gas billings
5. Customer natural gas payments
6. Customer account numbers

Audience: This message will be communicated to all employees receiving Affiliate Standards training, with particular emphasis on the following employees (primarily employees who have direct contact with customers and/or external audiences):

1. Customer Care Center
2. Energy Efficiency and Education Consulting
3. Corporate Communications/Public Relations
4. Utility Workers
5. Divisional Clerks
6. ETG Dispatchers
7. Gas Supply and Transportation
8. General employee population

Methods: Suggested ways to communicate this message to the targeted groups are:

- ❖ The message is communicated via in-person training with take away handouts (See Section III, pages 21-22) every two years and via distribution of handouts in alternate years.

Non-Public Supplier Information

Message: The message that we need to convey to targeted employee audiences is as follows:

- ❖ ETG may provide non-public information received from unaffiliated suppliers to SJI, SJE, SJRG, or Marina only if ETG obtains written authorization from the unaffiliated supplier. ETG may not solicit the release of this information exclusively to SJI or SJE in an effort to keep the information from other unaffiliated suppliers.

Audience: This message will be communicated to all employees receiving Affiliate Standards training, with particular emphasis on the following employees (primarily employees who have direct contact with suppliers):

1. Energy Efficiency and Education Consulting
2. Gas Supply and Transportation

Methods: Suggested ways to communicate this message to the targeted groups are:

- ❖ The message is communicated via in-person training with take away handouts (See Section III, page 23) every two years and via distribution of handouts in alternate years.

Product and/or Service Provider Information

Message: The message that we need to convey to targeted employee audiences is as follows:

- ❖ Except at a customer's request, ETG may not provide its customers with a list of product/service providers which highlights or otherwise identifies an affiliate as recommended or preferred even if the list contains names of unaffiliated competitors. Because ETG does not maintain a list of these providers, the employee should refer the customer to public information sources such as telephone directories, the internet etc. for a list of service providers. If the customer requests information about any of SJE's or SJESP's products or services, the ETG employee may acknowledge that SJE or SJESP provides that product or service but may not provide any additional information.

Audience: This message will be communicated to all employees receiving Affiliate Standards training, with particular emphasis on the following employees (primarily employees who have direct contact with customers and/or external audiences):

1. Energy Efficiency and Education Consulting
2. Customer Care Center
3. Corporate Communications
4. Utility Workers
5. Divisional Clerks
6. ETG Dispatchers

Methods: Suggested ways to communicate this message to the targeted groups are:

- ❖ The message is communicated via in-person training with take away handouts (See Section III, page 24) every two years and via distribution of handouts in alternate years.

Transactions

Message: The message that we need to convey to targeted employee audiences is as follows:

- ❖ A transaction (sale or purchase) is allowed between ETG, SJI, SJE, SJRG, SJESP and Marina if the generally available good, product or service has been the subject of an open, competitive bidding process.
- ❖ When ETG is involved in purchasing a good or service from SJI, SJE, SJRG, SJESP or Marina it must be done through a competitive bidding process. However, if SJI, SJE, SJRG, SJESP or Marina wants to purchase a product or service from ETG it can be done without accepting competitive bids. ETG would be obligated to ensure that the charge to any affiliate at minimum recovers fully allocated costs.
- ❖ ETG may be involved in transactions with SJI, SJE, SJESP or Marina without going through an open competitive bidding process if it involves:
 - tariffed products and services
 - joint purchases with the exception of those associated with the merchant function
 - corporate support services transactions
 - competitive utility products/services

The message condensed into one easy sentence to remember is: **“If any good, product or service made generally available for sale by either SJI, SJE, SJRG SJESP, or Marina were to be purchased by ETG, then, it must be done via the open, competitive bidding process.”**

Scenarios: Some examples are:

- ❖ If ETG was to transfer an asset such as a computer system to SJE, SJESP or Marina, this transaction can be made without a competitive bidding process. However, this transaction would be subject to NJBPU prescribed procedures which specify that the transaction should be at the higher of fair market value or book value.
- ❖ If ETG offered a billing service, SJE or SJESP could purchase that service without accepting competitive bids, but ETG must

ensure that the charge to either company at minimum, recovers fully allocated costs.

- ❖ If ETG were to purchase lighting retrofitting for its facilities (a service made generally available by SJE) it would have to do so via an open, competitive bid.

Note: This is a common sense approach to the standards' requirements. Utilities could and perhaps will, take a position that until and unless services are formally declared competitive, transactions such as this are not subject to the standards' requirements.

Audience: This message will be communicated to all employees receiving Affiliate Standards training; with particular emphasis on the following employees (primarily employees who have are involved with ETG transactions):

1. Gas Supply and Transportation
2. Rates
3. Accounting
4. Administrative Services
5. Customer Care Center Management

Methods: Suggested ways to communicate this message to the targeted groups are:

- ❖ The message is communicated via in-person training with take away handouts (See Section III, page 25-26) every two years and via distribution of handouts in alternate years.

Supplier Lists

Message: The message that we need to convey to targeted employee audiences is as follows:

- ❖ When ETG makes a list of natural gas suppliers available, the list must only contain those suppliers who are licensed by the NJBPU and who comply with ETG's approved tariff. The list must be in alphabetical order and may not highlight or promote any one supplier over another.

Procedures: A procedure should be established to ensure that the supplier lists are updated on a timely basis.

- ❖ Transportation maintains the supplier lists through direct communication with suppliers. As an example, when a supplier is licensed by the NJBPU, it will contact ETG and provide the license information. Likewise, if a supplier ceases to provide services in ETG's service area, it will contact Transportation.
- ❖ Transportation will provide updates to CCC, Rates and Corporate Communications as soon as practical.
- ❖ CCC will update the residential list for the residential shopping guides as soon as new information is provided by Transportation. CCC distributes shopping guides upon customer request.
- ❖ Transportation makes available the commercial and industrial lists upon customer request.

Audience: This message will be communicated to all employees receiving Affiliate Standards training, with particular emphasis on the following employees (primarily employees who create or modify supplier lists or who may be asked for a supplier list):

1. Customer Care Center
2. Gas Supply and Transportation
3. Rates
4. Corporate Communications
5. Energy Efficiency and Education Consulting
6. Utility Workers
7. Divisional Clerks
8. ETG Dispatchers

Methods: Suggested ways to communicate this message to the targeted groups are:

The message is communicated via in-person training with take away handouts (See Section III, page 27) every two years and via distribution of handouts in alternate years.

Joint Advertising or Marketing

Message: The message we need to convey to targeted employees is as follows:

- ❖ ETG may not participate in joint advertising or marketing activities with SJI or related competitive business segments which activities include, but are not limited to, joint sales calls, through joint call centers or otherwise, or joint proposals (including responses to RFPs) to existing or potential customers.
- ❖ The prohibition above notwithstanding, at a customer's unsolicited request, ETG may participate, on a nondiscriminatory basis, in non-sales meetings with SJI or a related competitive business segment or any other market participant to discuss technical or operational subjects regarding ETG's provision of distribution service to the customer;
- ❖ Except as otherwise provided for by these standards, ETG shall not participate in any joint business activity(ies) with SJI or a related competitive business segment which includes, but is not limited to, advertising, sales, marketing, communications and correspondence with any existing or potential customer;
- ❖ ETG shall not participate jointly with SJI or a related competitive business segment in trade shows, conferences or other information or marketing events held in New Jersey; and
- ❖ ETG shall not subsidize costs, fees, or payments with SJI or related competitive businesses associated with R&D activities or investment in advanced technology research.

- ❖ A related competitive business segment of ETG may not promote or advertise its relationship with ETG unless it clearly discloses specific information. The disclosure requirement pertains to any circulated advertising or marketing materials in New Jersey.

- ❖ It is absolutely essential when an affiliate prepares any circulated advertising or marketing material referencing Elizabethtown Gas Company or using its logo that a disclaimer be included which provides the following information:

1. South Jersey Industries [or AFFILIATE's NAME] *"is not the same company as Elizabethtown Gas Company, the gas public utility"*.
2. South Jersey Industries [or AFFILIATE's NAME] is not regulated by the NJ Board of Public Utilities.
3. *"You do not have to buy [AFFILIATE's NAME] products in order to receive quality regulated services from Elizabethtown Gas Company"*.

Audience: This message will be communicated to all employees receiving Affiliate Standards training, with particular emphasis on the following employees (primarily employees who are involved with marketing and/or advertising):

1. Energy Efficiency Education and Consulting

Method: Suggested ways to communicate this message to the targeted groups are:

The message is communicated via in-person training with take away handouts (See Section III, page 28-29) every two years and via distribution of handouts in alternate years.

Affiliate Standards Employee Handouts/Memos

- 1. Affiliate Standards Refresher**
- 2. Summary of NJBPU General Standards for Affiliate Transactions**
- 3. Business Development & Customer Relations**
- 4. Customer Information**
- 5. Non-Public Supplier Information**
- 6. Product and/or Service Provider Information**
- 7. Transactions**
- 8. Supplier Lists**
- 9. Joint Advertising or Marketing**

Affiliate Standards Refresher

How the Standards came about

The Electric Discount and Energy Competition Act ("EDECA") required the NJBPU to adopt standards governing the interactions between the NJ energy utilities and their affiliated companies. In our case, the standards apply to ETG and its dealings with SJI, SJE, SJESP, SJRG and Marina Energy. The standards also address issues related to competitive businesses within ETG.

The standards are designed to promote fair competition in markets when ETG deals with its affiliates - simply stated, our affiliates should not gain any unfair competitive advantage due to their affiliation with ETG. As you know, SJI and each member of the corporate family are committed to conducting all business in full compliance with applicable laws and regulations, and in accordance with the highest standards of ethical conduct and integrity.

Definitions

The definitions of an affiliate, competitive service and cross-subsidization as set forth in the Affiliate Standards Regulations are included in the Affiliate Standards Compliance Plan and summarized below.

Details of Specific Sections/Scenarios

The attached handouts summarize and describe what is acceptable and what is not acceptable behavior and provide examples of permitted and prohibited behaviors regarding the following standards:

- Business Development & Customer Relations
- Customer Information
- Non-Public Supplier Information
- Product and/or Service Provider Information

Reporting and Record-keeping Requirements/Penalties for Non-Compliance

Descriptions of these items as stated in the regulations are attached.

Definitions

Affiliate: Means a related competitive business segment of a gas or electric utility or of a public utility holding company (in our case SJI, SJE, SJRG, SJESP or Marina Energy).

Competitive Service: Means any services, goods or products offered by a gas or electric utility that the NJBPU considers competitive or is not regulated by the NJBPU.

Cross-subsidization: Means the offering of a competitive product or service by a gas or electric utility or by an affiliate which relies in whole or in part on the use of utility employees, equipment or other assets for which full compensation has not been provided. This would be considered an inappropriate transfer of benefits from our ratepayers to the competitive service or affiliate. Example: if an ETG employee provided a service to SJESP or SJE and all or part of the time spent was charged to ETG and not fully to SJESP or SJE.

Accounting Standards, Books and Records and Periodic Reporting: Each gas or electric utility and its related competitive business segment must maintain within its general ledger, separate subledgers for each competitive service or product offered. The subledgers must contain assets, revenue and expense accounts as needed to record all transactions of each competitive product or service offered. Each utility and/or its related competitive business segment must also track the following:

- total customers;
- total revenues received by the utility;
- dedicated assets;
- carrying costs of dedicated assets;
- portion of shared assets allocated to the competitive service;
- dedicated expenses incurred in the start-up, promotion and provision of service;
- fully allocated shared expenses;
- total margins, defined as the difference between total revenues received and the total expenses;
- net revenues, defined as the difference between total revenues and dedicated expenses; and
- any such other item as the NJBPU may determine.

Each gas or electric utility must file an annual financial report with the NJBPU no later than 45 days after the close of each calendar year. Those companies must also file a semiannual report no later than six months thereafter each year providing information on the financial performance of each competitive product or

service offering made by the utility or related competitive business segment. The filing must include information on the topics just mentioned. Each utility is responsible for reflecting the current cost information available in preparing the annual and semiannual reports.

All transfers, leases or rental of utility assets from the utility to the related competitive business segment with the purpose of the asset becoming a dedicated asset of the related company must be recorded at the greater of book cost or fair market value and must be approved by the NJBPU.

Violations: In the event the NJBPU determines the utility or its related competitive business segment has offered a competitive product or service without prior NJBPU approval, or without prior notification (whichever applies according to the standards) the NJBPU may immediately require the utility or business segment to cease the offerings for at least 90 days or as determined by the BPU. The activity may be subject to further penalties by the NJBPU.

If the NJBPU determines as a result of an audit the utility or business segment has violated any provisions of these standards, the NJBPU may take one or more of the following actions:

- order a reimbursement including interest of any overcharges resulting from the offering of the competitive product or service to the customer;
- order a reimbursement to utility ratepayers including interest of any subsidies found that were provided to the competitive service or product offerings; and/or
- impose a penalty of up to \$10,000 for each violation.

For a first violation:

- order a violating utility to cease some or all competitive product or service offerings and form a related competitive business segment of the utility to perform the offerings; or
- order a violating utility to cease some or all competitive product or service offerings and permit further competitive offerings only through a related competitive business segment of the holding company.

For second and subsequent violations:

- order a violating related competitive business segment of the previously violating utility to cease some or all competitive product or service offerings and permit further competitive offerings only through a related competitive business segment of the holding company.

**Elizabethtown Gas
Summary of NJBPU General Standards
for Affiliate Transactions**

- **ETG shall not unreasonably discriminate against any competitor in favor of its affiliate(s). Nor shall it represent that an affiliate or customer of an affiliate will, as a result of the relationship with ETG, receive any different treatment than the treatment ETG provides to other unaffiliated companies or their customers.**
- **ETG shall not offer a discount or waive all or any part of any other charge or fee to an affiliate unless it makes such discount or waiver available on a non-discriminatory basis to other market participants.**
- **ETG shall process all requests for services on a non-discriminatory basis for its affiliates and its customers and for all other market participants and their respective customers.**
- **ETG shall not condition or otherwise tie the provision of any products and/or services to the taking of any products and/or services from its affiliates.**
- **ETG shall not assign customers to which it currently provides products and/or services to its affiliates by any means unless that means is equally available to all competitors on a non-discriminatory basis.**
- **ETG, through actions or words, shall not represent that, as a result of its relationship with its affiliates, that its affiliate(s) will receive any different treatment than other product and/or service providers.**

Business Development & Customer Relations Customer Information

The summary below was prepared for you to use as a practical guide on permitted and prohibited transactions between ETG and the non-regulated companies.

- ⊗ ETG may not provide any assistance or services to SJI, SJE, SJRG, SJESP, or Marina Energy relating to customer enrollment, marketing or business development **unless those same services are offered to all competitors on a non-discriminatory basis.**

Some examples of what ETG employees **may not** do are listed below. Prohibited activities are not limited to those listed.

- Provide leads to SJI, SJE, SJESP, SJRG or Marina;
 - Solicit business on behalf of SJI, SJE, SJESP, SJRG or Marina;
 - Acquire information for SJI, SJE, SJESP, SJRG or Marina;
 - Share market analysis reports or any other non-public documents with SJI, SJE, SJESP, SJRG or Marina;
 - Share customer usage or end-use equipment information obtained while serving the customer including administration of demand-side management programs;
 - Ask their customers for permission to pass information exclusively to SJI, SJE, SJESP, SJRG or Marina;
 - Represent or imply that ETG speaks for SJI, SJE, SJESP, SJRG or Marina or that the customer will receive preferential treatment if they do business with those companies; or
 - Represent or imply that SJI, SJE, SJESP, SJRG or Marina speak on behalf of ETG.
- ☺ ETG employees may at the unsolicited request of the customer offer advice or assistance regarding SJI, SJE, SJESP, SJRG, Marina or other provider as long as that information is provided on a non-discriminatory basis.
 - ☺ ETG may provide customer information to SJI, SJE, SJESP, SJRG, Marina or any other provider upon request as long as: 1) the customer gives prior written consent; or 2) the NJBPU authorizes us to do so. This transaction must be done on a non-discriminatory basis.

The message condensed into one easy sentence to remember is:

“A utility employee cannot do or say anything that would give an unfair advantage to SJI, SJE, SJESP, SJRG or Marina over one of its competitors.”

Some practical examples of permitted and prohibited activities are:

1) A potential commercial customer is in the process of converting his heating system to natural gas. In speaking with ETG sales personnel they discuss the savings that will be realized by using natural gas. The potential customer then mentions that he wishes he could have more efficient lighting so he could save more on electricity costs. **The ETG employee can mention that various companies provide light retrofitting services and that it would be a good idea to pursue this type of service because it could save money. The employee may refer the person to the yellow pages or, if ETG maintains a list of these providers that does not highlight SJE, the employee may provide the list to the customer.**

2) An ETG employee in Sales identifies through an ETG prepared report a number of large volume customers who are not transporting. **The employee may not share the information contained in that report with SJE or SJI Marketing personnel.**

3) An ETG customer calls the Customer Care Center and says she wants to switch to a marketer for her energy supplies and wants to know if ETG is affiliated with SJE. **The ETG employee may respond that SJE is an affiliated company, but may not offer a recommendation that the customer use SJE. If the customer asks whether the employee recommends switching to SJE the employee should tell the customer that while we are not permitted to recommend our affiliated company, we can provide a list of suppliers that are willing to serve our customers.**

4) An ETG customer calls the Customer Care Center and says she wants a warranty contract on her appliances and wants to know if ETG can provide one. When the ETG employee responds that ETG does not offer warranty contracts the customer asks if ETG has a sister company that provides the service or if the rep can recommend a company that does. **The employee may not recommend SJESP but must refer the customer to the yellow pages.**

If at any time you have questions or concerns regarding acceptable transactions between ETG and the non-regulated companies, please consult your department head.

Affiliate Standards

Non-Public Supplier Information

The summary below was prepared for you to use as a practical guide on permitted and prohibited transactions between ETG and its affiliates.

- ☺ ETG may provide non-public information received from unaffiliated suppliers to SJI, SJE, SJRG, SJESP or Marina Energy only if ETG obtains written authorization from the unaffiliated supplier.
- ⊗ ETG may not solicit the release of this information exclusively to SJI, SJE, SJRG, SJESP or Marina Energy in an effort to keep the information from other unaffiliated suppliers.

An example is:

If the Transportation department learns that a marketer with 20,000 customers will only be serving ETG's customers for the next 30 days, Transportation may not share that information with SJE **unless the marketer provides written authorization and unless it is also shared with other unaffiliated suppliers.**

If at any time you have questions or concerns regarding acceptable transactions between ETG and the non-regulated companies, please consult your department head.

Affiliate Standards

Product and/or Service Provider Information

The summary below was prepared for you to use as a practical guide on permitted and prohibited transactions between ETG and its affiliates.

- ⊗ **Except at a customer's request, ETG may not provide its customers with a list of product/service providers which highlights or otherwise identifies SJI, SJE, SJRG, SJESP or Marina as recommended or preferred, even if the list contains names of unaffiliated competitors. ETG maintains lists of natural gas marketers but does not highlight or identify any of its affiliates as preferred or recommended. The company does not keep such lists for any other affiliate product or service, therefore, the employee should refer the customer to public information sources such as telephone directories, the internet etc. for a list of service providers.**
- ⊗ **If the customer requests information about SJE, SJRG, SJESP, or Marina's products or services, the ETG employee may acknowledge that those companies provide that product or service but may not provide any additional information.**

Some examples are:

- 1) While an ETG sales representative is speaking with a commercial customer, the customer says he is looking for someone to transport gas for him and asks if the ETG employee knows of anyone in that business. The ETG employee may send the customer the listing of all energy suppliers that that serve ETG's customers.
- 2) If a customer care center representative receives a call from a customer asking if SJE provides energy management services or if SJESP repairs appliances, the representative may respond yes. **ETG does not maintain any lists of these providers.**

If at any time you have questions or concerns regarding acceptable transactions between ETG and the non-regulated companies, please consult your department head.

Affiliate Standards

Transactions

- ☺ A transaction (sale or purchase) is allowed between ETG, SJI, SJE, SJRG, SJESP and Marina if the generally available good, product or service has been the subject of an open, competitive bidding process.
- ☺ When ETG is involved in purchasing a good or service from SJI, SJE, SJRG, SJESP or Marina it must be done through a competitive bidding process. However, if SJI, SJE, SJRG, SJESP, or Marina wants to purchase a product or service from ETG it can be done without accepting competitive bids. ETG would be obligated to ensure that the charge to an affiliate at minimum recovers fully allocated costs.
- ☺ ETG may be involved in transactions with SJI, SJE, SJRG, SJESP or Marina without going through an open competitive bidding process if it involves:
 - tariffed products and services;
 - joint purchases with the exception of those associated with the merchant function;
 - corporate support services transactions; and/or
 - competitive utility products/services.

The message condensed into one easy sentence to remember is:

“If any good, product or service made generally available for sale by SJE, SJESP, SJI or Marina were to be purchased by ETG, then, it must be done via the open, competitive bidding process.”

Some examples are:

- 1) If ETG was to transfer an asset such as a computer system to SJI, SJE, SRJR, SJESP or Marina this transaction can be made without a competitive bidding process. However, this transaction would be subject to NJBPU prescribed procedures which specify that the transaction should be at the higher of fair market value or book value.
- 2) If ETG offered a billing service, SJE could purchase that service without accepting competitive bids, but ETG must ensure that the charge to SJE at minimum, recovers fully allocated costs.

3) If ETG were to purchase lighting retrofitting for its facilities (a service made generally available by SJE) it would have to do so via an open, competitive bid. Note: This is a common sense approach to the standards' requirements. Utilities could and perhaps will, take a position that until and unless services are formally declared competitive, transactions such as this are not subject to the standards' requirements.

Affiliate Standards

Supplier Lists

- ☺ When ETG makes a list of natural gas suppliers available, the list must only contain those suppliers who are licensed by the NJBPU and who comply with ETG's approved tariff. The list must be in alphabetical order and may not highlight or promote any one supplier over another.

Procedures: The following is the procedure for ensuring that the supplier lists are updated on a timely basis.

- Transportation maintains the supplier lists through direct communication with suppliers. As an example, when a supplier is licensed by the NJBPU, it will contact ETG and provide the license information. Likewise, if a supplier decides not to continue serving ETG's service area, it will contact Transportation.
- Transportation will provide updates to CCC, Rates and Corporate Communications as soon as practical.
- CCC will update the residential list for the residential shopping guides as soon as new information is provided by Transportation. CCC distributes shopping guides upon customer request.
- Transportation makes available the commercial and industrial lists upon customer request.

Affiliate Standards

Joint Advertising or Marketing

- ☺ ETG may not participate in joint advertising or marketing activities with SJI or related competitive business segments. Such activities include, but are not limited to, joint sales calls, through joint call centers or otherwise, or joint proposals (including responses to RFPs) to existing or potential customers.
 - ✎ The prohibition above notwithstanding, at a customer's unsolicited request, ETG may participate, on a nondiscriminatory basis, in non-sales meetings with SJI or a related competitive business segment or any other market participant to discuss technical or operational subjects regarding ETG's provision of distribution service to the customer.
 - ✎ Except as otherwise provided for by these standards, ETG shall not participate in any joint business activity(ies) with SJI or a related competitive business segment. This includes, but is not limited to, advertising, sales, marketing, communications and correspondence with any existing or potential customer.
 - ✎ ETG shall not participate jointly with SJI or a related competitive business segment in trade shows, conferences or other information or marketing events held in New Jersey.
 - ✎ ETG shall not subsidize costs, fees, or payments with SJI or related competitive businesses associated with R&D activities or investment in advanced technology research.
- ☺ A related competitive business segment of ETG may not promote or advertise its relationship with ETG unless it clearly discloses specific information. The disclosure requirement pertains to any circulated advertising or marketing materials in New Jersey.
 - It is absolutely essential when an affiliate prepares any circulated advertising or marketing material referencing Elizabethtown Gas Company or using its logo that a disclaimer be included which provides the following information:
 1. South Jersey Industries [or AFFILIATE's NAME] *"is not the same company as Elizabethtown Gas Company, the gas public utility"*.

2. South Jersey Industries [or AFFILIATE's NAME] is not regulated by the NJ Board of Public Utilities.
3. *"You do not have to buy [AFFILIATE's NAME] products in order to receive quality regulated services from Elizabethtown Gas Company".*

Section IV

AFFILIATE STANDARDS COMPLIANCE PLAN

CUSTOMER CARE CENTER GUIDELINES

I. POLICY STATEMENT

A. The NJBPU has standards governing the interactions between the New Jersey energy utilities and affiliated companies. In our case, the standards apply to Elizabethtown Gas Company and its dealings with South Jersey Industries, South Jersey Energy Company, South Jersey Resources Group, South Jersey Energy Service Plus, and Marina Energy.

The standards are designed to promote fair competition in markets when Elizabethtown Gas deals with its affiliates. Simply stated, our affiliates should not gain any unfair advantage simply due to their affiliation with Elizabethtown Gas. As you know, South Jersey Industries and each member of the corporate family are committed to conducting all business in full compliance with applicable laws and regulations, and in accordance with the highest standards of ethical conduct and integrity. These values should be extended to all our operations to which these standards apply.

B. Elizabethtown Gas is subject to significant financial penalties if found to be in non-compliance.

II. OPERATING PROCEDURE

A. General Guidelines

The summary below was prepared for you to use as a practical guide on permitted and prohibited transactions between ETG and its affiliates. ETG employees **may not** provide any assistance or services to South Jersey Industries, South Jersey Energy, South Jersey Resources Group, South Jersey Energy Service Plus or Marina Energy relating to customer enrollment, marketing or business development ***unless those same services are offered to all competitors on a non-discriminatory basis.***

1. Some examples of what ETG employees **may not do** are listed below. Prohibited activities are not limited to those listed.
 - Provide leads to SJI, SJE, SJRG, SJESP or Marina Energy.

- Solicit business on behalf of SJI, SJE, SJRG, SJESP or Marina Energy.
 - Acquire information for SJI, SJE, SJRG, SJESP or Marina Energy.
 - Share market analysis reports or any other non-public documents with SJI, SJE, SJRG, SJESP or Marina Energy.
 - Share customer usage or end-use equipment information obtained while serving the customer, including administration of demand-side management programs.
 - Ask their customers for permission to pass information exclusively to SJI, SJE, SJRG, SJESP or Marina Energy.
 - Represent or imply that ETG speaks for SJI, SJE, SJRG, SJSEP or Marina Energy or that the customer will receive preferential treatment if they do business with SJI, SJE, SJRG, SJESP or Marina Energy.
 - Represent or imply that SJI, SJE, SJRG, SJESP or Marina Energy speak on behalf of ETG.
2. ETG **may** offer unsolicited advice or assistance regarding SJI, SJE, SJRG, SJESP, Marina Energy or any other provider as long as that information is provided on a non-discriminatory basis.
3. ETG **may** provide customer information to SJI, SJE, SJRG, SJESP, Marina Energy or any other provider upon request as long as:
- a. the customer gives prior written consent; or
 - b. the NJBPU authorizes us to do so.

This transaction must be done on a non-discriminatory basis.

The message condensed into one easy sentence to remember is:

"A utility employee cannot do or say anything that would give an unfair advantage to SJI, SJE, SJRG, SJESP or Marina Energy over one of their competitors."

4. Some practical examples of permitted and prohibited activities are:
- a. An ETG customer calls the Customer Care Center and says she wants to switch to a marketer for her energy supplies and wants to know if ETG is affiliated with South Jersey Energy. The ETG employee may respond that South

Jersey Energy is an affiliate, but may not offer a recommendation that the customer use South Jersey Energy. If the customer asks whether the employee recommends switching to South Jersey Energy, the employee should tell the customer that, while we are not permitted to recommend our affiliate company, we can provide a list of suppliers that are willing to serve our customers.

b. An ETG customer calls the Customer Care Center and says they need to have an appliance serviced. Once determined that it is not utility related, the ETG employee is to advise the customer that ETG does not have appliance repair service and they need to contact a contractor. You are not at liberty to promote, solicit or sell a service warranty contract or time and material services. If the customer requests information related to our affiliate appliance service business, you are at liberty to answer questions. However, you must ensure that your responses do not:

- Recommend our affiliate or represent or imply that the customer will receive preferential treatment from Elizabethtown Gas if they choose to use our affiliate appliance repair services or warranty program rather than those of our affiliate's competitors.

If at any time you have questions or concerns regarding acceptable transactions between ETG and its affiliate companies, please consult your department head.



TABLE OF CONTENTS

<u>SECTION</u>	<u>SUBJECT</u>	<u>PAGE</u>
I.	Policy	2
II.	Responsibility & Penalties for Non-Compliance	2
III.	Specific Areas of Policy Statement	2-6
IV.	Guidelines	6-7
V.	Reporting of Violations	7-9
VI.	Anti-Retaliation	10
VII.	Distribution	10



I. Policy

It is the policy of South Jersey Industries and all of its subsidiary companies (hereinafter the "Company") to require its Board of Directors and employees to devote their loyalties to the interest of the Company and to keep themselves free of any influences that might conflict or create an appearance or perception of conflict with their obligations to represent the best interests of the Company at all times.

II. Responsibility & Penalties for Non-Compliance

It is the responsibility of every Director and employee of the Company to understand and comply with this policy. Appropriate disciplinary action will be taken against anyone who violates and/or condones any violation of this policy. It is the responsibility of all management to ensure that their employees are in compliance. The Human Resources Department is responsible for the overall administration of this policy and for policy interpretation.

III. Specific Areas of Policy Statement

- Procurement Activities

The highest standards of personal conduct and business ethics are required of each person directly involved in procurement activities, as well as those who are in a position to influence procurement decisions or relationships. In the procurement of equipment, supplies and services, no supplier may be given improper information, preference or advantage over others.

- Conflict of Interest

No Director or employee shall engage in business transactions or professional activity or have a financial or other private interest, which is in conflict with the proper discharge of his/her position. A conflict of interest arises when a personal dealing or interest conflicts with the Company's interests.

- Safety

The Company is charged with providing safe service to the public and/or customers. If an employee fails to correct a known hazard or to notify supervision of a known hazard which exposes the public, customers and/or employees to harm, the employee is in violation of this policy. Employees are responsible to observe and report safety problems, establish warnings to keep others safe and correct unsafe conditions.



- Workplace Violence

The Company will take all necessary steps to maintain a workplace free of violence and the threat of violence. All employees are required to report observed violent behavior, or the threat of violent behavior, and must adhere to the Company's policy on Workplace Violence (E.34.1).

- Company Information

Company information may take many forms - physical records, electronic data or personal knowledge - and can include financial, technical, strategic and other records of a confidential or proprietary nature. Such information is a valuable corporate asset that must never be used for personal gain or given to others for their use. Disclosure of such proprietary information by any Director or employee is strictly prohibited, unless there is an identified and valid business need, where executive authorization has been properly secured.

- Company Property and Funds

Every Director and employee is responsible for safeguarding Company property and funds to prevent their abuse, unauthorized personal use, loss or theft. Company property includes facilities, equipment, supplies, tools, vehicles, funds, telephone and computer lines and services and other assets that are intended for conducting Company business. Users of the network system may be monitored to ensure compliance. (Refer to Operating Procedure A6.2, Procedures or Corporate Personal Computing)

- Fraud

Every Director, Manager, and Supervisor is responsible for the detection and prevention of fraud, misappropriations, and other irregularities. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury. Each member of the management team will be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity. Irregularity that is detected or suspected must be reported immediately to the Vice President of Human Resources, who coordinates all investigations with the Legal Department and other affected areas, both internal and external.



- **Acceptance or Solicitation of Things of Value**

Business decisions must be made objectively; solely on the basis of quality, service, price and similar competitive factors.

Gifts other than those of a nominal value that are received by a Director or employee shall be returned to the donor, accompanied with an explanation about this policy.

Meals and other social events, the main purpose of which is to establish and maintain necessary business relationships, are considered legitimate business expenses. Directors and employees may also accept business meals and entertainment as long as the business purpose is valid. Directors and employees shall decline any offers of lavish business meals or entertainment, or any offers that could be interpreted or appear as having been offered with the intent of influencing the individual's business judgment.
- **Legislative and Regulatory Compliance**

All businesses and public utilities in particular are subject to many federal, state and local laws and regulations. All Directors and employees shall uphold the laws and applicable regulations and never knowingly be a party to their evasion.
- **Employment Practices**

No Director or employee shall accept employment, engage in any business transaction or make any investment which will be detrimental to the Company or interfere in any manner whatsoever, with the discharge of his/her Company duties and responsibilities.
- **Discrimination and Under Coercion**

No Director or employee of the Company shall unfairly discriminate through the dispensing of special privileges or favors, whether for remuneration or not. No Director or employee shall utilize the authority vested in him/her by virtue of his/her position with the Company, to coerce peers or subordinates to provide favors or privileges, personal or financial, under fear of retribution or disparate treatment.
- **Affiliate Relationships**

The New Jersey Board of Public Utilities has adopted standards in evaluating affiliate relationships, which provide for both fair competition as well as a "no harm to ratepayers" standard. Additionally, federal antitrust laws prohibit practices which restrict



fair market competition. Accordingly, ETG's and SJG's affiliate relationships have been structured to ensure that (1) our transactions are in compliance with applicable laws, (2) that our ratepayers are not subsidizing non-regulated operations, and (3) that procurement practices and procedures are open, unbiased and at arm's length. Specific accounting guidelines are outlined in Operating Procedure A2.2 (Procedures for the Recording and Invoicing of Affiliated Company Transactions). Directors and employees must be aware of state and federal laws and regulations governing affiliate relationships.

- Antitrust - Competition

All Directors and employees must comply with antitrust and competition laws throughout the world. These laws protect the free enterprise system and encourage vigorous, but fair, competition. All product and service development, manufacturing and sales efforts must conform to the highest ethical standards. Engaging in or conspiring to do any of the following is strictly forbidden:

- price fixing, bid rigging, colluding to allocate customers or markets, boycotting suppliers or customers;
- controlling the resale pricing of distributors and dealers;
- disparaging a competitor, misrepresenting our own products or services;
- stealing trade secrets;
- offering or paying bribes or kickbacks

All mergers, acquisitions, strategic alliances, and other types of extraordinary business combinations which raise concerns of market domination or abuse, shall receive timely legal review to assure that we compete aggressively but not unlawfully. The same is true as to the Company's routine business and licensing plans.

Antitrust laws are to be vigorously enforced. Failure to comply with antitrust or competition laws could result in heavy fines and imprisonment in criminal cases, and high damage awards and injunctions in civil cases. Directors and employees shall seek the advice of the Office of Corporate Counsel when confronted with business decisions involving significant risks of antitrust exposure for the Company or individual employees.



- Employment

In the areas of recruitment, hiring, compensation, education, health, promotion and training, the Company's policies are nondiscriminatory, providing fair and equal opportunities.

- Maintenance of Accurate and Complete Records

Every employee has the responsibility to maintain accurate and complete records. No false, misleading or artificial entries may be made on the Company's books and records. No funds or assets may be maintained by the company for any illegal or improper purposes. All transactions must be fully and completely documented and recorded in the Company's accounting records.

- Securities Laws

The Company has a long-standing commitment to comply with all securities laws and regulations, and to require our employees, officers, directors and others acting on behalf of the Company to do so, as well. Securities laws include regulations and requirements on insider trading, securities fraud, accounting fraud, providing false or misleading information about securities and the companies that issue them.

Direct any questions to the Office of Corporate Counsel.

- Policies and Procedures

All Directors and employees are required to understand, endorse and support Company policies and procedures, including this code of ethics and the standards it prescribes, and never knowingly be party to their evasion.

IV. Guidelines

Here are some general guidelines to help Directors and employees better understand what the Company believes to be in the best interests of our employees, customers, shareholders and those with whom we do business.

Answering the following questions may also help you handle specific situations:

- Could this action appear "inappropriate" to others?
- Will my action comply with the intent and purpose of Company policies and practices?



- May I be called upon to defend my action to supervisors, the Board of Directors, executives, employees and/or the general public?
- Will this action compromise me?
- Can I feel comfortable about doing this?

If you are unsure about whether or not to act, contact the Human Resources Department for clarification.

V. Reporting of Violations

- a. Directors and officers who have knowledge of or suspect a violation of this Code of Ethics must report this information to the Chairman/CEO or the General Counsel & Corporate Secretary, and the lead Independent Director. If the Chairman/CEO is the subject of the suspected violation, the Director or Officer must contact the lead Independent Director. Directors and Officers have an obligation to come forward and should feel comfortable in coming forward to address any issue that they believe is a violation of this policy.

The Company or the appropriate Board of Director committee shall conduct an investigation into the alleged violation and all information will be maintained in a confidential manner. The Governance Committee is responsible for investigating conflicts of interest regarding directors and senior executives. The Audit Committee is responsible for suspected violations regarding fraud, theft or similar conduct or misrepresentation of the Company's financial statements and accounts. Once the investigation is complete, the General Counsel & Corporate Secretary will inform the Directors of the results of the investigation.

- b. Employees who have knowledge of or suspect a violation must report this information to local department/division management. However, if local management is the subject of the suspected violation, he/she shall contact the Vice President of Human Resources or the General Counsel & Corporate Secretary. If either of these two officials is the subject of the suspected violation, the employee shall contact the Chairman/CEO and the lead Independent Director. All reported matters will be forwarded for investigation.

In addition to the process above, the Company has set up a hotline for employees to make reports of concerns. To make a report, log on to www.MySafeWorkplace.com or call (800) 461-9330. Your



confidential and anonymous report will instantly be forwarded for review and proper handling.

Once you make a confidential submission to MySafeWorkplace.com, you are provided a unique access number and asked to provide a personal password that allows you to anonymously re-enter the internet site. By clicking on the “report status” link, you are then able to post and review messages anonymously to management through a message board pertaining to your report. You are also able to participate in any follow-up that may take place.

Types of Reportable Incidents. The following is a list of incident types that you are able to report through MySafeWorkplace.com or (800) 461-9330.

- Accounting/Audit Related Complaints or Concerns
- Compliance and Regulation Violations
- Environmental Issue
- Ethics Violation
- Falsifying Documents
- Falsifying Documents (Non-Financial related)
- Fraud
- Policy Violation
- Retaliation
- Sabotage
- Securities Violation
- Sexual Harassment
- Theft
- Threat of Violence
- Unsafe Work Conditions
- Vandalism
- Workplace Violence

All information is kept confidential. Within one (1) business day of a filing of a report through the hotline, the General Counsel & Corporate Secretary will acknowledge receipt of the report and confirm the commencement of an investigation of the report. The General Counsel & Corporate Secretary will also advise when the



investigation is completed and of the outcome of the investigation and any next steps, if appropriate and/or legally permissible.

Violations of Certain Laws. Employees who have knowledge of or suspect a violation of Securities laws or laws related to commodities and financial futures and/or options may report this information to local department or division management, the Vice President of Human Resources, the General Counsel & Corporate Secretary, the Chairman of the Board/CEO, or Lead Independent Director. In addition, a suspected violation may be reported using MySafeWorkplace.com or the hotline using the telephone number identified above.

In any event, employees have an obligation to come forward and should feel comfortable in coming forward internally to address any issue that they believe is a violation of this policy.

The Company shall conduct an investigation into the alleged violation and all information will be maintained in a confidential manner. Once the investigation is completed, the Human Resources Department will inform the employee of the results of the investigation.

During the investigation of a suspected violation, Directors and employees are required to cooperate in the investigation.

Specifically, the following conduct is strictly prohibited:

- Interfering with or obstructing an investigation
- Misrepresenting the facts, or failing to disclose facts during an investigation
- Retaliating, or attempting to retaliate, against anyone who has made a good faith report of a suspected or known violation
- Attempting to discover the identity of any person cooperating in the investigation

VI. Anti-Retaliation

Any person who raises a good faith concern about a possible violation of this Code of Ethics should do so without fear of discharge, demotion, suspension, threats, harassment, or any other employment discrimination. The Company will not retaliate, nor knowingly permit any employee, officer, director, or others acting on behalf of the Company to retaliate, against a person who has in good faith reported the possible violation. Any employee who retaliates against such a person is subject to discipline, up to and including termination.

VII. Distribution

To all Directors, Officers and Employees

EXHIBIT E

VERIFICATION REQUIRED BY SECTION 14:4-3.5(j)

THE UNDERSIGNED MELISSA ORSEN, SENIOR VICE PRESIDENT AND GENERAL COUNSEL OF SOUTH JERSEY INDUSTRIES AND GENERAL COUNSEL OF ELIZABETHTOWN GAS COMPANY HEREBY VERIFIES THE ADEQUACY OF THE SPECIFIC MECHANISMS AND PROCEDURES IN PLACE TO ENSURE THAT ELIZABETHTOWN GAS COMPANY FOLLOWS THE MANDATES OF THE BPU AFFILIATE STANDARDS REGULATIONS, AND TO ENSURE THAT ELIZABETHTOWN GAS COMPANY IS NOT UTILIZING JOINT CORPORATE SUPPORT SERVICES AS A CONDUIT TO CIRCUMVENT THE AFFILIATE STANDARDS REGULATIONS.

By: _____



Melissa Orsen
Senior Vice President, General Counsel (SJI)
General Counsel (ETG)

EXHIBIT F

VERIFICATION REQUIRED BY SECTION 14:4-3.5(q)(2)(i)

THE UNDERSIGNED ANN T. ANTHONY, VICE PRESIDENT, TREASURER & ACTING CORPORATE SECRETARY OF SOUTH JERSEY INDUSTRIES AND TREASURER AND SECRETARY OF ELIZABETHTOWN GAS COMPANY, HEREBY VERIFIES THE ADEQUACY OF THE SPECIFIC MECHANISMS AND PROCEDURES IN PLACE TO ENSURE THAT ELIZABETHTOWN GAS COMPANY IS NOT UTILIZING SHARED OFFICERS AND DIRECTORS IN VIOLATION OF THE NJBPU AFFILIATE STANDARDS REGULATIONS.

By: Ann T Anthony
ANN T. ANTHONY
VICE PRESIDENT, TREASURER & ACTING
CORPORATE SECRETARY (SJI)
TREASURER & SECRETARY (ETG)

Appendix C

Executed Asset Management Agreement

(PRELIMINARY PUBLIC COPY)

C O N F I D E N T I A L

ASSET MANAGEMENT AGREEMENT

BETWEEN

ELIZABETHTOWN GAS COMPANY

AND

SOUTH JERSEY RESOURCES GROUP LLC

[THE FOLLOWING PAGES HAVE BEEN REDACTED IN THEIR ENTIRETY]