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May 15, 2020

Electronic Submission

Aida Camacho-Welch
Secretary of the Board
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Trenton, NJ 08625

Re: In the Matter of the Petition of South Jersey Gas Company For Approval of Increased Base Tariff Rates and Charges for Gas Service, Changes to Depreciation Rates and Other Tariff Revisions, BPU Docket No. GR20030243

Dear Secretary Camacho-Welch,

Enclosed please find South Jersey Gas Company's 9+3 Update and supporting documents in the above-referenced matter. Due to the COVID-19 pandemic, and in accordance with the New Jersey Board of Public Utilities ("BPU") March 19, 2020 Order issued in BPU Docket No. EO20030254, hard copies are not being provided at this time, but can be provided at a later time, as needed.

Please contact me at (908) 662-8448 if you have any questions.

Respectfully submitted,

Deborah M. Franco

Deborah M. Franco

Enclosures

cc: Service List (w/Enclosure)

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF :
SOUTH JERSEY GAS COMPANY FOR : DOCKET NO. GR20030243
APPROVAL OF INCREASED BASE :
TARIFF RATES AND CHARGES FOR :
GAS SERVICE, CHANGES TO :
DEPRECIATION RATES AND OTHER :
TARIFF REVISIONS

9&3 Update

May 2020

9 & 3 UPDATE

**Schedules
of
S.M. Graham**

**SOUTH JERSEY GAS COMPANY
REVENUE REQUIREMENT**

<u>Line No.</u>			<u>REFERENCE</u>
1	Adjusted Rate base	2,215,934,659	SMG-2
2	Rate of Return	<u>7.38%</u>	
3	Required Operating Income	163,564,026	
4	Adjusted Net Operating Income	<u>105,066,820</u>	SMG-3
5	Income Deficiency	58,497,206	
6	Revenue Factor	<u>1.418291</u>	SMG-5
7	Revenue Requirement	<u><u>\$82,966,082</u></u>	
8	Revenue Requirement Rolled-In From:		
9	Accelerated Infrastructure Replacement Program (AIRP II)	(\$6,097,776)	
10	Storm Hardening & Reliability Program (SHARP II)	(\$3,539,736)	
11	Conservation Incentive Program (CIP)	\$2,412,092	DPY-3
12	Requested Additional Operating Revenue	<u><u>\$75,740,663</u></u>	

SOUTH JERSEY GAS COMPANY
STATEMENT OF RATE BASE

Line No.		ACTUAL RATE BASE March-20	ADJUSTMENT April 20 - June 20	PROJECTED RATE BASE June-20	PRO FORMA ADJUSTMENT	ADJUSTED RATE BASE December-20	REFERENCE TO RATEMAKING ADJUSTMENTS
1	Utility Plant In Service	\$3,010,903,288	\$ 94,921,075	\$3,105,824,363	\$ 175,358,718	\$3,281,183,080	BWS-1
2	Accumulated Depreciation & Amortization	(555,346,159)	(13,860,239)	(\$569,206,398)	(31,192,328)	(\$600,398,726)	BJO-5
3	Non-Legal ARO	(14,962,637)	182,401	(\$14,780,235)	227,804	(\$14,552,432)	BJO-6
4							
5	Net Utility Plant	<u>2,440,594,493</u>	<u>81,243,237</u>	<u>2,521,837,729</u>	<u>144,394,194</u>	<u>2,666,231,923</u>	
6							
7							
8	Materials & Supplies ⁽¹⁾	627,435	0	627,435	0	\$627,435	SMG-29
9	Gas Inventory: ⁽¹⁾						
10	Natural Gas Inventory	9,829,536	36,717	9,866,253	(1,683,361)	\$8,182,892	SMG-29
11	LNG Inventory	2,939,585	179,691	3,119,276	474,592	\$3,593,868	SMG-29
12	Cash Working Capital	0	0	76,747,726	9,983,445	\$86,731,171	SMG-28.1,28.2
13	Customer Deposits ⁽¹⁾	(6,972,505)	20,005	(6,952,500)	(25,806)	(\$6,978,306)	SMG-26
14	Customer Advances ⁽¹⁾	(1,439,284)	0	(1,439,284)	0	(\$1,439,284)	
15	Deferred Income Taxes:						
16	Excess Protected ADIT	(467,802)	(6,088)	(473,891)	36,529	(437,361)	
17	Excess ADIT (2017 TCJA)	(149,470,704)	0	(149,470,704)	3,214,439	(146,256,265)	ADF-3
19	Federal Income Tax	(280,641,044)	(1,588,724)	(282,229,768)	(30,821,246)	(313,051,014)	BJO-7
20	NJ CBT	(70,777,636)	(1,911,426)	(72,689,062)	(8,581,338)	(\$81,270,400)	BJO-8
21	Consolidated Tax Adjustment	0	0	0	0	\$0	ADF-2
22							
23	Total Rate Base	<u>\$1,944,222,074</u>	<u>\$77,973,411</u>	<u>\$2,098,943,210</u>	<u>\$116,991,448</u>	<u>\$2,215,934,659</u>	

⁽¹⁾ Represents Thirteen Month Averages of Account Balances

SOUTH JERSEY GAS COMPANY
OPERATING INCOME STATEMENT

Line No.		9 MONTHS ACTUAL DATA	3 MONTHS PROJECTED DATA	TEST YEAR ENDED 6/30/2020	PRO FORMA ADJUSTMENTS	ADJUSTED TEST YEAR ENDED 6/30/2020	REVENUE DEFICIENCY	PRO FORMA POST TEST YEAR ENDED 6/30/2020
1	Operating Revenues	\$ 475,454,800	\$ 102,369,600	\$ 577,824,400	\$ (1,057,546)	\$ 576,766,854	\$82,966,082	\$ 659,732,935
2								
3	Operating Expenses:							
4								
5	Purchased Gas	\$ 170,344,000	\$ 35,956,600	\$ 206,300,600	\$ 1,088,932	\$ 207,389,532	\$ -	\$ 207,389,532
6								
7	Operation & Maintenance Exps.	\$ 109,413,102	\$ 38,481,150	\$ 147,894,252	\$ 8,128,630	\$ 156,022,881	\$ 1,368,691	\$ 157,391,573
8								
9	Depreciation Expense	\$ 49,734,100	\$ 16,915,300	\$ 66,649,400	\$ 13,697,153	\$ 80,346,553	\$ -	\$ 80,346,553
10								
11	Taxes Other Than Income Taxes	\$ 3,853,200	\$ 1,115,600	\$ 4,968,800	\$ (47,956)	\$ 4,920,844	\$ 226,955	\$ 5,147,799
12								
13	Excess Deferred Tax Amortization	\$ -	\$ -	\$ -	\$ (2,223,581)	\$ (2,223,581)	\$ -	\$ (2,223,581)
14								
15	Federal Income Taxes & NJ CBT	\$ 32,155,524	\$ (59,123)	\$ 32,096,402	\$ (7,016,398)	\$ 25,080,003	\$ 22,873,229	\$ 47,953,233
16								
17	Total Operating Expenses	\$ 365,499,926	\$ 92,409,527	\$ 457,909,453	\$ 13,626,780	\$ 471,536,234	\$ 24,468,876	\$ 496,005,110
18								
19	Net Operating Income	\$ 109,954,874	\$ 9,960,073	\$ 119,914,947	\$ (14,684,327)	\$ 105,230,620	\$ 58,497,206	\$ 163,727,826
20								
21	Ratemaking Adjustment:							
22	Interest on Customer Deposits	\$113,436	\$40,576	\$ 154,012	\$ 9,788	\$ 163,800	\$ -	\$ 163,800
23								
24								
25	Adjusted Net Operating Income	\$ 109,841,438	\$ 9,919,497	\$ 119,760,934	\$ (14,694,114)	\$ 105,066,820	\$ 58,497,206	\$ 163,564,026
26								
27	Total Rate Base			\$ 2,098,943,210		\$ 2,215,934,659		\$ 2,215,934,659
28								
29	Return on Rate Base			5.71%		4.74%		7.38%
30								
31	Adjusted Net Income			\$ 83,101,931		\$ 66,364,507		\$ 124,861,713
32								
33	Return on Equity			7.31%		5.53%		10.40%

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME

	Pro Forma Adjustments
1. Operating Revenues (SMG-6)	
(a) EET Rider Adjustment (SMG-7)	\$ (10,199,800)
(b) SHARP/AIRP Revenue Adjustment (SMG-8)	\$ 752,613
(c) Interruptible, Off-System Sales & SIM Adjustment (SMG-9)	\$ (4,425,667)
(d) Customer Annualization (SMG-10)	\$ 3,491,172
(e) Sales from Post Test Year Plant Additions (SMG-12)	\$ 5,623,346
(f) Contract Changes (SMG-14)	\$ 27,366
(g) Miscellaneous Services Charges (SMG-15)	\$ 627,183
(h) Rental Income Adjustment (BJO-10)	\$ 634,148
(i) CIP Revenue Adjustment (DPY-3)	\$ 2,412,092
	<u>(1,057,546)</u>
2. Purchased Gas Costs (SMG-6)	
(a) Adjust Purchased Gas Cost to Annualized Post Test Year (SMG-6)	\$ 1,088,932
	<u>1,088,932</u>
3. Operation and Maintenance Expenses (SMG-16)	
(a) Remove EET Rider Expense (SMG-7)	\$ (2,708,000)
(b) Remove EET Rider Amortization (SMG-7)	\$ (2,047,000)
(c) Payroll Expense Adjustment (SMG-17)	\$ 1,114,490
(d) Benefits Expense Adjustment (SMG-18)	\$ 764,287
(e) Allocated Service Company Expense Adjustment (SMG-19)	\$ 2,149,876
(f) Mark Out Expense Adjustment (SMG-20)	\$ 174,968
(g) Compression Project Expense Adjustment (SMG-21)	\$ 2,280,000
(h) Amortization of Rate Case Expenses (SMG-22)	\$ 253,000
(i) Pipeline Integrity Management (SMG-23)	\$ 1,738,183
(j) Remove 2017 Rate Case Amortizations (SMG-24)	\$ (1,853,102)
(k) Facility Expense Adjustment (BJO-10)	\$ 424,249
(l) Pension/OPEB Amortization (BJO-11)	\$ 1,161,982
(m) Pension/OPEB Expense (BJO-11)	\$ 49,503
(n) Amortization of Deferred ERIP Expenses (BJO-12)	\$ 1,691,067
(o) Amortization of B. L. England Expenses (BJO-13)	\$ 1,007,961
(p) O&M Inflation Adjustment (SMG-25)	\$ 1,927,165
	<u>8,128,630</u>
4. Depreciation Expense (BJO-5)	
(a) Annualize Test Year Depreciation Expense as of 6/30/2020 with proposed depreciation rates	\$ 4,075,657
(b) Annualize Post Test Year Depreciation Expense as of 12/31/2020 with proposed depreciation expense	\$ 6,735,183
(c) Adjustment due to Increase in Proposed Annual Net Negative Salvage Allowance	\$ 2,612,316
(d) Adjustment due to Decrease in Non-Legal Asset Retirement Obligation (ARO) Credit	\$ 273,997
	<u>13,697,153</u>
5. Taxes Other Than Income	
(a) Payroll Tax Adjustment (SMG-17)	\$ 100,304
(b) Adjustment for PUA (SMG-27.1 & SMG-27.2)	\$ (148,260)
	<u>(47,956)</u>
6. Interest (SMG-26)	
(a) Adjust Interest on Customer Deposits by Average Yield on 6 month Treasury Bill	\$ 9,788
	<u>9,788</u>
7. Taxes - Income - Current	
(a) Interest Synchronization (BJO-9)	\$ (288,525)
(b) Income Tax effect of adjustments 1 - 6	\$ (6,727,874)
	<u>(7,016,398)</u>

SOUTH JERSEY GAS COMPANY
DERIVATION OF REVENUE EXPANSION FACTOR

Line
No.

1	Additional Required Revenue Percentage		100.000%
2			
3	Percentage Adjustment for Uncollectibles		1.649700%
4	BPU Assessments		0.220453%
5	Rate Counsel Assessments		<u>0.053099%</u>
6			
7	Percentage of Income Before State Income Tax		98.07675%
8			
9	State Income Tax Percentage	9%	<u>8.8269%</u>
10			
11	Percentage of Income Before Federal Income Tax		89.2498%
12			
13	Federal Income Tax Percentage	21%	<u>18.742%</u>
14			
15	Revenue Expansion Factor - Percent		70.5074%
16			
17	Revenue Expansion Factor - Whole Number		<u><u>1.418291</u></u>

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
SUMMARY OF REVENUE & COST OF GAS ADJUSTMENTS

<u>Line No.</u>		<u>Therm Adjustments</u>	<u>Revenue Adjustments</u>	<u>Cost of Gas Adjustments</u>	<u>Reference</u>
1	EET Rider Adjustment	N/A	\$ (10,199,800)	N/A	SMG-7
2	SHARP II/AIRP II Revenue Adjustment	N/A	\$ 752,613	N/A	SMG-8
3	Interruptible, Off-System Sales & SIM Adjustment	N/A	\$ (4,425,667)	\$ (2,677,687)	SMG-9
4	Customer Annualization	225,184	\$ 3,491,172	\$ 1,470,491	SMG-10
5	Sales from Post Test Year Plant Additions	409,982	\$ 5,623,346	\$ 2,296,129	SMG-12
6	Contract Changes	0	\$ 27,366	\$ -	SMG-14
7	Miscellaneous Service Charges	N/A	\$ 627,183	N/A	SMG-15
8	Rental Income Adjustment	N/A	\$ 634,148	N/A	BJO-10
9	CIP Revenue Adjustment	2,590,811	\$2,412,092	N/A	DPY-3
10	Total Firm Revenue and Cost of Gas Adjustments	3,225,977	\$ (1,057,546)	\$ 1,088,932	

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
EET RIDER ADJUSTMENT

Line No.		2019 Actual	2019 Actual	2019 Actual	2019 Actual	2019 Actual	2020 Actual	2020 Actual	2020 Actual	2020 Actual	2020 Projected	2020 Projected	2020 Projected	TOTAL
		July	August	September	October	November	December	January	February	March	April	May	June	
1	EET Revenue Adjustment	\$ 586,500	\$ 823,200	\$ 741,600	\$ 977,100	\$ 730,600	\$ 870,100	\$ 839,400	\$ 828,300	\$ 914,600	\$ 918,200	\$ 985,500	\$ 984,700	\$ 10,199,800
2	EET O&M Expenses Adjustment	\$ 119,200	\$ 264,200	\$ 262,300	\$ 291,300	\$ 122,300	\$ 225,000	\$ 194,600	\$ 161,900	\$ 248,800	\$ 225,800	\$ 294,500	\$ 298,100	\$ 2,708,000
3	EET Amortization Adjustment	\$ 112,200	\$ 123,500	\$ 141,700	\$ 152,200	\$ 161,200	\$ 183,100	\$ 190,000	\$ 191,100	\$ 192,800	\$ 197,600	\$ 200,100	\$ 201,500	\$ 2,047,000

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
SHARP II & AIRP II REVENUE ADJUSTMENT

Line No.		2019 Actual July	2019 Actual August	2019 Actual September	TOTAL
1	SHARP II Roll In Revenue	\$ 75,058	\$ 77,927	\$ 77,165	\$ 230,150
2	AIRP II Roll In Revenue	\$ 170,389	\$ 176,903	\$ 175,172	\$ 522,464
3	Total Revenue Adjustment	<u>\$ 245,447</u>	<u>\$ 254,831</u>	<u>\$ 252,336</u>	<u>\$ 752,613</u>

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
TEST YEAR INTERRUPTIBLE AND OFF-SYSTEM SALES, AND STORAGE INCENTIVE MECHANISM

Line No.	Test Year Ending 6/30/2020	Pro Forma Adjustment (Company Margin Share)	Revenue in Test Year	
1	<u>Revenue</u>			
2	Interruptible	\$323,820	(\$48,573)	\$275,247
3	Off-System Sales	\$53,543,775	(\$4,377,094)	\$49,166,681
4	Total Revenues	\$53,867,595	(\$4,425,667)	\$49,441,928
5				
6	<u>Cost of Gas</u>			
7	Interruptible	4,480	(672)	3,808
8	Off-System Sales	27,018,095	(2,257,723)	24,760,372
9	SIM	0	(419,292)	(419,292)
10	Total Cost of Gas	\$27,022,575	(\$2,677,687)	\$24,344,888
11				

**SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
CUSTOMER ANNUALIZATION**

Line No.		Annualized		
		<u>Dt</u>	<u>Revenue</u>	<u>Cost of Gas</u>
1	<u>Residential (RSG)</u>			
2	Heating Sales Service (480.11)	181,286	\$2,665,247	\$1,035,062
3	Non-Heating Sales Service (480.12)	<u>1,726</u>	<u>\$25,958</u>	<u>\$7,999</u>
4	Sub-Total	183,012	\$2,691,205	\$1,043,061
5	<u>General Service (GSG)</u>			
6	Commercial Non-Heating Sales Service (481.21)	(2,387)	(\$32,731)	(\$14,259)
7	Commercial Heating Sales Service (481.31)	86,794	\$1,140,349	\$492,263
8	Industrial Heating Sales Service (481.32)	1,210	\$14,228	\$6,805
9	Transportation Commercial Non-Heating (489.821)	(368)	(\$2,753)	(\$398)
10	Transportation Commercial Heating (489.831)	(43,288)	(\$320,611)	(\$57,237)
11	Transportation Industrial Heating (489.832)	<u>210</u>	<u>\$1,485</u>	<u>\$256</u>
12	Sub-Total	42,172	\$799,967	\$427,430
13	Total Adjustment	<u>225,184</u>	<u>\$3,491,172</u>	<u>\$1,470,491</u>

[illegible]

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
SALES FROM POST TEST YEAR UTILITY PLANT ADDITIONS

<u>Line No.</u>		<u>Dt</u>	<u>Revenue</u>	<u>Cost of Gas</u>
1	Residential Heat (480.11)	289,951.9	\$4,115,236	\$1,634,175
2	Residential Non-Heat (480.12)	5,297.6	\$85,347	\$24,576
3	Gen. Serv. Comm Heat (481.31)	114,732.2	\$1,422,764	\$637,378
4	Pro-Forma Adjustment	409,981.8	\$5,623,346	\$2,296,129

**SOUTH JERSEY GAS COMPANY
REVENUE PRODUCING UTILITY PLANT
JULY 2020 - DECEMBER 2020**

Projected Post Test Year Gross Customer Additions

	2020 <u>Jul</u>	2020 <u>Aug</u>	2020 <u>Sep</u>	2020 <u>Oct</u>	2020 <u>Nov</u>	2020 <u>Dec</u>	6 Months <u>Total</u>	<u>Dts Per Customer</u>	<u>Annualized Dts</u>
Residential Heat	567	655	741	848	795	850	4,456	65.07	289,951.9
Residential Non-Heat	32	34	30	35	43	41	215	24.64	5,297.6
General Service Gas	39	37	46	68	76	106	372	308.42	114,732.2

**SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 2020 OPERATING INCOME
CONTRACT CHANGES**

Line No.	Customer I.D.	Annual Dt Sales			Annual Revenue			Cost of Gas Adjustment
		Test Year	After Contract Change	Adjustment	Test Year	After Contract Change	Adjustment	
1	<u>CTS Customers</u>							
2	Customer A	161,247	161,247	0	\$293,141	\$320,506	\$27,366	\$0
3	Pro Forma Adjustment			<u>0</u>			<u>\$27,366</u>	<u>\$0</u>

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
MISCELLANEOUS SERVICE CHARGES

Line No.		Current Amount	Proposed Amount	Proposed Increase	Annual Transactions	Pro Forma Revenue Adjustment
1	<u>Section 10 of the Tariff</u>					
2						
3	10.1 Turn On Charge	\$20.00	\$45.00	\$25.00	25,087	\$627,183.33
4						
5	Total					<u>\$627,183.33</u>

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
SUMMARY OF O&M ADJUSTMENTS

<u>Line No.</u>	<u>Amount</u>	<u>Reference</u>
1 EET O&M Expenses Adjustment	\$ (2,708,000)	SMG-7
2 EET Amortization Adjustment	\$ (2,047,000)	SMG-7
3 Payroll Expense Adjustment	\$ 1,114,490	SMG-17
4 Employee Benefits Expense Adjustment	\$ 764,287	SMG-18
5 Allocated Service Company Costs	\$ 2,149,876	SMG-19
6 Mark Out Expense Adjustment	\$ 174,968	SMG-20
7 Compression Project Expense Adjustment	\$ 2,280,000	SMG-21
8 Rate Case Expense Adjustment	\$ 253,000	SMG-22
9 Pipeline Integrity Management	\$ 1,738,183	SMG-23
10 2017 Rate Case Amortization Adjustment	\$ (1,853,102)	SMG-24
11 Facility Expense Adjustment	\$ 424,249	BJO-10
12 Pension/OPEB Amortization	\$ 1,161,982	BJO-11
13 Pension/OPEB Expense	\$ 49,503	BJO-11
14 ERIP Amortization	\$ 1,691,067	BJO-12
15 BL England Amortization	\$ 1,007,961	BJO-13
16 Inflation Adjustment	\$ 1,927,165	SMG-25
17 Total O&M Adjustments	<u>\$ 8,128,630</u>	

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
PAYROLL EXPENSE

Line
No.

1	<u>Payroll Expenses:</u>		
2	Annualized Payroll Expenses	\$ 23,925,095	
3	Post Test Year Payroll Increase (3%)	<u>\$ 717,753</u>	
4	Total Adjusted Payroll Expenses	\$ 24,642,848	
5	Less: Test Year Payroll Expenses	\$ 23,528,358	
6	Pro Forma Payroll Adjustment		<u>\$ 1,114,490</u>
7	Payroll Tax Adjustment (9%)		100,304
8	Total Pro Forma Payroll Adjustment		<u>\$ 1,214,794</u>

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
EMPLOYEE BENEFITS EXPENSE

Line
No.

1	<u>Employee Benefits Expenses:</u>		
2	Annualized Test Year Employee Benefits Expense	\$	6,417,394
3	Post Test Year Employee Benefits Adjustment	\$	215,990
4	Total Adjusted Employee Benefits Expense	\$	<u>6,633,385</u>
5	Less: Test Year Employee Benefits Expense	\$	<u>5,869,098</u>
6	Pro Forma Benefits Adjustment		<u>\$ 764,287</u>

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENT TO JUNE 30, 2020 OPERATING INCOME
ALLOCATED SERVICE COMPANY SALARIES & BENEFITS EXPENSE

Line
No.

1	<u>Allocated Service Company Salaries & Benefits Expenses:</u>	
2	Annualized Test Year Expenses	\$ 5,457,153
3	Post Test Year Adjustment	<u>\$ 288,569</u>
4	Total Adjusted Expense	<u>\$ 5,745,722</u>
5	Less: Test Year Expenses	<u>\$ 3,595,846</u>
6	Pro Forma Allocated Expense Adjustment	<u><u>\$ 2,149,876</u></u>

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
MARK OUT EXPENSES

Line No.			
1	<u>Mark Out Expenses:</u>		
2	Annualized Mark Out Expense	\$	3,147,862
3	Less: Test Year Expense	<u>\$</u>	<u>2,972,894</u>
4	Pro-Forma Adjustment	<u><u>\$</u></u>	<u><u>174,968</u></u>

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
COMPRESSION PROJECT EXPENSES

Line No.			
1	<u>New Sentury Compression Project Expenses:</u>		
2	Annualized Expense	\$	2,280,000
3	Less: Test Year Expense	\$	<u>-</u>
4	Pro-Forma Adjustment		<u>\$ 2,280,000</u>

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
RATE CASE EXPENSES

Line No.	Category	Expense
1	Legal Expenses	\$ 800,000
2	Consultant Expenses	\$ 392,000
3	Newspaper Notices	\$ 11,000
4	Court Reporting	\$ 1,000
5	Postage	\$ 5,000
6	Office Supplies	\$ 5,000
7	Miscellaneous Expenses	\$ 4,000
8	Contingency/Rebuttal Witnesses	\$ 300,000
9	Total Rate Case Expenses	<u>\$ 1,518,000</u>
10		50% \$ 759,000
11	Pro Forma Adjustment - Three Year Amortization	<u>\$ 253,000</u>

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
INTEGRITY MANAGEMENT EXPENSE

Line No.		Expense
1	Pipeline Integrity Management Deferred Balance at June 30, 2020	<u>\$ 5,214,550</u>
2	Pro-Forma Adjustment - Three Year Amortization of Deferred Expense	\$ 1,738,183

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
AMORTIZATION EXPENSE

Line No.	Category	Expense
1	Rate Case Expense Amortization - 2017 Rate Case	\$ (156,347)
2	PIM Expense & Carrying Cost - 2017 Rate Case	\$ (1,696,756)
3	Pro Forma Adjustment	<u>\$ (1,853,102)</u>

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
O&M INFLATION ADJUSTMENT

<u>Line No.</u>	<u>Description</u>	<u>Index</u>
1	<u>Calculation of Inflation Rate</u>	
2		
3	GDPIPD Index Value at the Midpoint of the Test Year:	
4	December 2019 Index-GDP	113.0
5	January 2020 Index-GDP	113.4
6	December 31, 2019 Index-GDP (Midpoint)	<u>113.2</u>
7		
8	GDPIPD Index Value at the End of the Post-Test Year:	
9	March 2021 Index-GDP	114.7
10	April 2021 Index-GDP	<u>114.8</u>
11	March 31, 2021 Index-GDP (Midpoint)	114.8
12		
13	Projected Inflation Rate	1.37%
14		
15	<u>Calculation of O&M Inflation Adjustment</u>	
16		
17	Post-Test Year Total O&M Expenses	\$ 156,022,881
18		
19	Less: Normalizing Adjustments	
20	(a) Annualization of Payroll	\$ 1,114,490
21	(b) Annualization of Benefits	\$ 764,287
22	(c) Annualization of Allocated Service Company Costs	\$ 2,149,876
23	(d) Amortization of Rate Case expenses	<u>96,653</u>
24	Total Normalizing Adjustments	\$ 4,125,306
25		
26	Less: Items Not Subject to Inflation	
27	(a) PIM Amortization	41,428
28	(b) ERIP Amortization	1,691,067
29	(c) Pension/OPEB Amortization	1,161,982
30	(d) B.L. England Amortization	1,007,961
31	(e) Pension / OBEP Expense	2,063,500
32	(f) Uncollectibles	<u>5,186,391</u>
33	Total Items Not Subject to Inflation	\$ 11,152,329
34		
35	Residual O&M Expenses	\$ 140,745,246
36		
37	Inflation Rate	1.37%
38		
39	Pro Forma Adjustment to O&M Expense	<u><u>\$ 1,927,165</u></u>

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

Line No.									
	<u>Month</u>	<u>Actual and Projected Data</u>	<u>Number of Customers</u>	<u>Number of Customers with Deposits</u>	<u>Percentage of Customers with Deposits</u>	<u>Average Deposit Per Customer</u>	<u>Rate Base for Customer Deposits</u>	<u>Current Interest Rate</u>	<u>Monthly Interest</u>
1									
2									
3									
4									
5	Jun-19	Actual	393,227	33,570	8.54%	\$209	\$7,017,656	1.87%	\$3,231
6	Jul-19	Actual	393,071	33,047	8.41%	\$211	\$6,967,063	1.87%	\$11,976
7	Aug-19	Actual	392,851	32,824	8.36%	\$210	\$6,898,841	1.87%	\$11,834
8	Sep-19	Actual	393,104	32,644	8.30%	\$211	\$6,879,563	1.87%	\$11,860
9	Oct-19	Actual	393,831	32,607	8.28%	\$212	\$6,907,744	1.87%	\$11,450
10	Nov-19	Actual	395,460	32,731	8.28%	\$211	\$6,920,749	1.87%	\$9,967
11	Dec-19	Actual	397,063	32,296	8.13%	\$214	\$6,901,582	1.87%	\$11,913
12	Jan-20	Actual	398,263	32,338	8.12%	\$215	\$6,939,924	2.33%	\$15,830
13	Feb-20	Actual	399,054	32,615	8.17%	\$215	\$7,020,892	2.33%	\$14,748
14	Mar-20	Actual	400,031	32,549	8.14%	\$214	\$6,973,550	2.33%	\$13,858
15	Apr-20	Projected	400,374	32,590	8.14%	\$214	\$6,982,431	2.33%	\$13,372
16	May-20	Projected	400,570	32,606	8.14%	\$214	\$6,985,849	2.33%	\$13,824
17	Jun-20	Projected	400,616	32,610	8.14%	\$214	\$6,986,651	2.33%	\$13,380
18	Jul-20	Projected	399,594	32,527	8.14%	\$214	\$6,968,828	2.33%	\$13,791
19	Aug-20	Projected	399,562	32,524	8.14%	\$214	\$6,968,270	2.33%	\$13,790
20	Sep-20	Projected	399,845	32,547	8.14%	\$214	\$6,973,205	2.33%	\$13,354
21	Oct-20	Projected	400,462	32,598	8.14%	\$214	\$6,983,966	2.33%	\$13,821
22	Nov-20	Projected	401,541	32,685	8.14%	\$214	\$7,002,783	2.33%	\$13,411
23	Dec-20	Projected	403,104	32,813	8.14%	\$214	\$7,030,041	2.33%	\$13,912
24	Jan-21	Projected	403,104	32,813	8.14%	\$214	\$7,030,041	2.33%	\$13,912
25	Feb-21	Projected	403,104	32,813	8.14%	\$214	\$7,030,041	2.33%	\$12,565
26	Mar-21	Projected	403,104	32,813	8.14%	\$214	\$7,030,041	2.33%	\$13,912
27									
28	<u>Post-Test Year Annualization of Interest</u>								
29									
30	Mar-21	Projected	403,104	32,813	8.14%	\$214	\$7,030,041	2.33%	\$163,800
31									
32									
33	<u>Rate Base Test Year Adjustment</u>			<u>Rate Base PTY Pro-Forma Adjustment</u>			<u>Income Statement Interest Pro-Forma Adjustment</u>		
34									
35			<i>13 mo average</i>			<i>13 mo average</i>			
36	Actual Ending March 31, 2020		\$6,972,505	Projected ending June 30, 2020		\$6,952,500	Projected Test Year Interest		\$154,012
37									
38	Projected ending June 30, 2020		\$6,952,500	Projected Ending December 31, 2020		<u>\$6,978,306</u>	Post Test Year Annualized Interest		<u>\$163,800</u>
39									
40	Test Year Adjustment		<u>(\$20,005)</u>	Pro-Forma PTY Adjustment		<u>\$25,806</u>	Pro-Forma Adjustment		<u>\$9,788</u>

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
OTHER EXPENSES - REVENUE TAXES

Line
No.

PUA Adjustments

1	EET Rider Adjustment	\$ (10,199,800)
2	SHARP II/AIRP II Revenue Adjustment	\$ 752,613
3	Interruptible Sales Revenue Adjustment	\$ (48,573)
4	Customer Annualization	\$ 3,491,172
5	Sales from Post Test Year Plant Additions	\$ 5,623,346
6	Contract Changes	\$ 27,366
7	CIP Revenue Adjustment	\$ 2,412,092
8	Total Revenue Adjustment	<u>\$ 2,058,217</u>
9	PUA Tax Rate	<u>0.002736</u>
10	Pro Forma Adjustment to PUA Taxes	<u>\$ 5,630</u>

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
OTHER EXPENSES - PUA EXPENSE ADJUSTMENT

Line No.		BPU Assessment	Public Advocate Assessment	Total
1	Year 2017 Intrastate Revenues	\$ 417,182,066	\$ 417,182,066	
2	Estimated Assessment Rate	\$ 0.002205	\$ 0.000531	\$ 0.002736
3				
4	Estimated Assessment	\$ 919,689	\$ 221,521	\$ 1,141,210
5				
6	Less: Assessment included in Test Year Operating Expenses	\$ 1,069,800	\$ 225,300	\$ 1,295,100
7				
8	Pro Forma Adjustment to PUA Taxes	\$ (150,111)	\$ (3,779)	\$ (153,890)

SOUTH JERSEY GAS COMPANY
Lead-Lag Study
Working Capital Requirement
Test Year

Line	Description	Test Year Expenses	Average Daily Expenses	Revenue Lag	Expense Lag	Net (Lead)/Lag Days	Working Capital Requirement
1	Operations and Maintenance Expenses						
2	Purchased Gas Costs	\$ 206,300,600	565,207	66.29	(36.51)	29.77	\$ 16,828,943
3	Regular Payroll	\$ 23,528,358	64,461	66.29	(11.92)	54.36	3,504,372
4	Variable Compensation	\$ 683,228	1,872	66.29	(238.97)	(172.68)	(323,234)
5	Pension	\$ 2,063,500	5,653	66.29	31.44	97.73	552,484
6	Employee Benefits	\$ 5,869,098	16,080	66.29	(33.53)	32.76	526,770
7	Uncollectible Expense	\$ 3,817,700	10,459	66.29	(653.47)	(587.18)	(6,141,590)
8	Outside Services Employed	\$ 27,749,999	76,027	66.29	(42.86)	23.43	1,780,955
9	New Jersey Clean Energy Program	\$ 13,405,600	36,728	66.29	(67.15)	(0.86)	(31,657)
10	Materials & Supplies Issues	\$ 378,692	1,038	66.29	0.00	66.29	68,774
11	Membership Dues	\$ 218,063	597	66.29	(23.46)	42.83	25,586
12	Utility Location Markout Services	\$ 3,154,300	8,642	66.29	(41.60)	24.69	213,368
13	Bank Service Fees	\$ 2,043,300	5,598	66.29	(36.04)	30.25	169,324
14	Motor Vehicle	\$ 3,669,638	10,054	66.29	(18.18)	48.10	483,614
15	Outside Services (Audit)	\$ 1,257,303	3,445	66.29	(39.99)	26.29	90,571
16	Meter Reading Services	\$ 3,201,230	8,770	66.29	(37.06)	29.23	256,339
17	Insurance	\$ 1,888,018	5,173	66.29	0.00	66.29	342,880
18	Other O&M Expenses	\$ 54,966,227	150,592	66.29	(51.14)	15.14	2,280,540
19	Total O&M Expenses	\$ 354,194,852					\$ 20,628,040
20	Income Taxes						
21	Excess Deferred Tax Amortization	\$ -	-	66.29	0.00	66.29	-
22	Federal Income Taxes	21,820,072	59,781	66.29	(37.00)	29.29	1,750,812
23	State Income Tax	10,276,329	28,154	66.29	47.25	113.54	3,196,560
24	Total Federal Income Taxes	\$ 32,096,402					\$ 4,947,372
25	Taxes Other Than Income Taxes						
26	PUA and Ratepayer Advocate	\$ 1,295,100	3,548	66.29	(394.50)	(328.21)	\$ (1,164,571)
27	Other Taxes Other Than Income Taxes	3,673,700	10,065	66.29	(18.36)	47.92	482,345
28	Taxes Other Than Income Taxes	\$ 4,968,800					\$ (682,226)
29	Depreciation and Amortization Expense	\$ 66,649,400	\$ 182,601	66.29	0.00	66.29	\$ 12,104,094
30	Interest Expense						
31	Interest on Long-Term Debt	\$ 32,614,700	89,355	66.29	(59.51)	6.77	\$ 605,244
32	Interest on Short-Term Debt	-	-	66.29	(6.91)	59.38	\$ -
33	Interest on Customer Deposits	154,012	422	66.29	(246.39)	(180.10)	\$ (75,995)
34	Total Interest Expense	\$ 32,768,712					\$ 529,249
38	Return	\$ 87,146,234	238,757	66.29	0.00	66.29	\$ 15,826,492
39	Other Working Capital Requirements / (Sources)						
40	Employee Deductions						\$ (1,000,161)
41	Cash Balance						290,164
42	Working Funds						\$ 301,750
43	General Prepayments						\$ 4,706,834
44	Prepaid Energy Sales and Use Tax						\$ 10,536,917
45	USF/Lifeline Reserve						\$ 755,201
46	Prepaid Pension						\$ 35,641,494
47	Prepaid Postretirement Healthcare						\$ 8,215,471
48	Accrued Invoiced Related to Plant						\$ (31,831,110)
49	Accrued Payroll Related to Plant						\$ (1,107,153)
50	Vacation Accrual Reserve						\$ (1,127,898)
51	Uninsured Risk Reserve						\$ (718,226)
52	Marketer Payment Reserve						\$ (1,268,576)
53	Total Other Working Capital						\$ 23,394,706
54							
55							
56	Total	\$ 577,824,400					\$ 76,747,726

SOUTH JERSEY GAS COMPANY

Lead-Lag Study

Working Capital Requirement

Post Test Year

Line	Description	Adjusted Test Year Expenses	Average Daily Expenses	Revenue Lag	Expense Lag	Net (Lead)/Lag Days	Working Capital Requirement
1	Operations and Maintenance Expenses						
2	Purchased Gas Costs	\$ 207,389,532	568,190	66.29	(36.51)	29.77	\$ 16,917,772
3	Regular Payroll	24,642,848	67,515	66.29	(11.92)	54.36	3,670,367
4	Variable Compensation	683,228	1,872	66.29	(238.97)	(172.68)	(323,234)
5	Pension	3,274,985	8,973	66.29	31.44	97.73	876,849
6	Employee Benefits	6,633,385	18,174	66.29	(33.53)	32.76	595,367
7	Uncollectible Expense	5,186,391	14,209	66.29	(653.47)	(587.18)	(8,343,424)
8	Outside Services Employed	29,899,875	81,917	66.29	(42.86)	23.43	1,918,931
9	New Jersey Clean Energy Program	13,405,600	36,728	66.29	(67.15)	(0.86)	(31,657)
10	Materials & Supplies Issues	378,692	1,038	66.29	0.00	66.29	68,774
11	Membership Dues	218,063	597	66.29	(23.46)	42.83	25,586
12	Utility Location Markout Services	3,329,268	9,121	66.29	(41.60)	24.69	225,204
13	Bank Service Fees	2,043,300	5,598	66.29	(36.04)	30.25	169,324
14	Motor Vehicle	3,669,638	10,054	66.29	(18.18)	48.10	483,614
15	Outside Services (Audit)	1,257,303	3,445	66.29	(39.99)	26.29	90,571
16	Meter Reading Services	3,201,230	8,770	66.29	(37.06)	29.23	256,339
17	Insurance	1,888,018	5,173	66.29	0.00	66.29	342,880
18	Other O&M Expenses	57,679,750	158,027	66.29	(51.14)	15.14	2,393,124
19	Total O&M Expenses	\$ 364,781,105					\$ 19,336,387
20	Income Taxes						
21	Excess Deferred Tax Amortization	\$ (2,223,581)	(6,092)	66.29	0.00	66.29	(403,821)
22	Federal Income Taxes	\$ 32,600,010	89,315	66.29	(37.00)	29.29	2,615,778
23	State Income Tax	15,353,223	42,064	66.29	47.25	113.54	4,775,781
24	Total Federal Income Taxes	\$ 45,729,652					\$ 6,987,738
28	Taxes Other Than Income Taxes						
29	PUA and Ratepayer Advocate	\$1,522,055	4,170	66.29	(394.50)	(328.21)	(1,368,653)
30	Other Taxes Other Than Income Taxes	3,625,744	9,934	66.29	(18.36)	47.92	476,049
31	Taxes Other Than Income Taxes	\$ 5,147,799					\$ (892,604)
32	Depreciation and Amortization Expense	\$ 80,346,553	220,128	66.29	0.00	66.29	\$ 14,591,612
33	Interest Expense						
34	Interest on Long-Term Debt	\$ 38,702,313	106,034	66.29	(59.51)	6.77	\$ 718,214
35	Interest on Short-Term Debt	-	-	66.29	(6.91)	59.38	-
36	Interest on Customer Deposits	163,800	449	66.29	(246.39)	(180.10)	(80,825)
37	Total Interest Expense	\$ 38,866,113					\$ 637,389
38	Return	\$ 124,861,713	342,087	66.29	0.00	66.29	\$ 22,675,941
39	Other Working Capital Requirements / (Sources)						
40	Employee Deductions						\$ (1,000,161)
41	Cash Balance						\$ 290,164
42	Working Funds						\$ 301,750
43	General Prepayments						\$ 4,706,834
44	Prepaid Energy Sales and Use Tax						\$ 10,536,917
45	USF/Lifeline Reserve						\$ 755,201
46	Prepaid Pension						\$ 35,641,494
47	Prepaid Postretirement Healthcare						\$ 8,215,471
48	Accrued Invoiced Related to Plant						\$ (31,831,110)
49	Accrued Payroll Related to Plant						\$ (1,107,153)
50	Vacation Accrual Reserve						\$ (1,127,898)
51	Uninsured Risk Reserve						\$ (718,226)
52	Marketer Payment Reserve						\$ (1,268,576)
53	Total Other Working Capital						\$ 23,394,706
54	Total	\$ 659,732,935					\$ 86,731,171

Line															
1	Natural Gas														
2		<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	13 Month
3		Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	AVERAGE
4	Actual - As of March 2020	\$1,475,458	\$3,928,955	\$7,702,917	\$10,332,392	\$12,821,096	\$15,325,218	\$17,307,911	\$18,234,715	15,515,382	11,798,273	7,454,319	4,526,161	1,361,177	9,829,536
5															
6		<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	13 Month
7		Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	AVERAGE
8	Forecast - TY End June 2020	10,332,392	12,821,096	15,325,218	17,307,911	18,234,715	15,515,382	11,798,273	7,454,319	4,526,161	1,361,177	2,781,228	4,494,106	6,309,312	9,866,253
9															
10		<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	13 Month
11		Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	AVERAGE
12	Forecast - PTY End Dec 2020	11,798,273	7,454,319	4,526,161	1,361,177	2,781,228	4,494,106	6,309,312	8,395,677	10,470,071	12,294,129	13,443,883	12,509,267	10,539,989	8,182,892
13															
14	Liquefied Natural gas	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	13 Month
15		Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	AVERAGE
16	Actual - As of March 2020	\$2,029,022	\$2,847,815	\$2,855,842	\$2,937,442	\$2,976,135	\$2,940,584	\$2,924,383	\$3,316,052	\$3,296,606	\$3,040,412	3,035,123	3,013,946	3,001,244	2,939,585
17															
18		<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	13 Month
19		Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	AVERAGE
20	Forecast - TY End June 2020	2,937,442	2,976,135	2,940,584	2,924,383	3,316,052	3,296,606	3,040,412	3,035,123	3,013,946	3,001,244	3,149,195	3,349,457	3,570,009	3,119,276
21															
22		<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	13 Month
23		Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	AVERAGE
24	Forecast - PTY End Dec 2020	3,040,412	3,035,123	3,013,946	3,001,244	3,149,195	3,349,457	3,570,009	3,778,918	3,987,286	4,221,096	4,340,217	4,312,643	3,920,744	3,593,868
25															
26															
27	Materials and Supplies*	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	13 Month
28		Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	AVERAGE
29	Actual - As of March 2020	619,103	619,103	618,809	618,809	631,843	631,844	631,844	631,844	631,844	631,844	629,925	629,925	629,925	627,435
30															
31															
32	*No Forecast														
33															
34															
35									Total Actual Inventories as of:			Mar-20			13,396,557
36									Total Projected Inventories as of:			Jun-20	- Test Year Ending		13,612,964
37															
38									Total Projected Inventories as of:			Dec-20	- Post Test Year Ending		12,404,196
39															

9 & 3 UPDATE

**Schedules
of
B.W. Schomber**

**SOUTH JERSEY GAS COMPANY
STATEMENT OF RATE BASE
UTILITY PLANT IN SERVICE (UPIS)**

Line No.			Reference
1			
2	Actual UPIS as of 3/31/20	\$3,010,903,288	SMG-2
3			
4	Projected Test Year Plant Additions (4/1/20 - 6/30/20)	\$ 98,407,404	BWS-2
5	Projected Test Year Plant Retirements (4/1/20 -6/30/20)	<u>\$ (3,486,330)</u>	BWS-2
6	Total Projected Test Year Net Plant Additions (4/1/20-6/30/20)	<u>\$ 94,921,075</u>	
7			
8	Projected Test Year Ending UPIS at 6/30/20	<u>\$3,105,824,363</u>	
9			
10	Projected Post Test Year Plant Additions (7/1/20 - 12/31/20)	\$ 72,305,899	BWS-3
11	Projected Post Test Year Plant Retirements (7/1/20 - 12/31/20)	\$ (6,972,659)	BWS-3
12	Projected Post Test Year Major Capital Projects	<u>\$ 110,025,478</u>	BWS-4
13	Total Projected Post Test Year Net Plant Additions (7/1/20-12/31/20)	<u>\$ 175,358,718</u>	
14			
15	Projected Post Test Year Ending UPIS at 12/31/20	<u>\$3,281,183,080</u>	

SOUTH JERSEY GAS COMPANY
ADJUSTMENT TO JUNE 30, 2020 RATE BASE

	July Actual 2019	August Actual 2019	September Actual 2019	October Actual 2019	November Actual 2019	December Actual 2019	January Actual 2020	February Actual 2020	March Actual 2020	April Projected 2020	May Projected 2020	June Projected 2020	2019-202 Test Year Total
<u>New Business</u>													
1.0 Mains	1,656,732	1,918,260	1,624,729	2,106,621	1,252,980	1,538,894	1,499,843	1,102,139	991,409	1,703,200	1,277,400	1,141,200	17,813,408
1.1 Services	1,815,218	1,811,642	2,409,461	2,604,810	2,395,199	3,184,307	2,385,095	2,117,028	2,091,959	2,304,700	1,773,000	1,568,300	26,460,719
1.2 Meters	405,570	540,221	863,745	685,155	796,586	795,043	212,126	616,308	794,357	1,051,400	1,085,800	1,084,200	8,930,510
1.3 Regulators	224,115	295,911	255,012	427,243	471,362	436,350	249,051	434,632	250,627	166,600	166,200	256,500	3,633,604
Total New Business	4,101,634	4,566,034	5,152,947	5,823,829	4,916,128	5,954,595	4,346,115	4,270,106	4,128,353	5,225,900	4,302,400	4,050,200	56,838,242
2.0 Improvement Mains	26,997	3,158	31,370	65,795	114,800	39,272	44,952	76,779	185,744	74,800	69,400	69,400	802,467
<u>Replacements</u>													
3.0 Replacement Mains	909,687	1,117,275	1,357,792	1,052,852	1,174,232	795,678	2,346,067	229,616	1,211,847	1,589,000	2,640,300	410,600	14,834,946
3.1 Replacement Services	942,104	2,173,407	905,718	953,858	1,310,304	1,318,710	1,101,638	1,651,029	1,519,020	994,400	506,400	2,199,200	15,575,787
3.2 Leak Clamping	388,328	304,417	366,319	553,338	424,541	371,857	382,657	388,138	405,274	445,300	368,200	325,500	4,723,870
3.3 Replacement Meters	22,825	9,805	35,454	21,192	27,432	28,302	18,892	25,670	30,025	17,800	17,800	17,800	272,998
3.4 Replacement Regulators	539,829	717,297	605,135	656,964	586,798	347,733	757,054	631,223	449,776	867,100	867,100	867,100	7,893,109
Total Replacements	2,802,773	4,322,201	3,270,418	3,238,204	3,523,306	2,862,280	4,606,309	2,925,676	3,615,942	3,913,600	4,399,800	3,820,200	43,300,710
4.0 Land & Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
5.0 Automotive Equipment	25,366	42,535	6,778	6,778	27,824	1,584	1,584	3,184	1,584	1,014,700	1,141,600	642,600	2,916,117
6.0 Production Equipment	(103,173)	15,095	61,336	348,985	102,043	105,412	(4,703)	10,234	49,095	52,000	200,100	95,300	931,724
7.0 Transmission Equipment	100,587	89,113	77,611	94,588	128,873	270,636	45,859	51,758	541,292	144,500	86,500	199,800	1,831,117
8.0 Distribution Equipment	56,013	575,089	934,703	551,578	507,838	684,506	284,359	905,661	775,533	84,700	384,700	59,900	5,804,580
9.0 Office Furniture & Equipment	5,734	-	2,992	17,830	(10,224)	4,913	7,334	17	-	-	200	-	28,795
10.0 Building Improvements	71,336	230,886	61,257	86,793	127,865	11,552	173,706	116,634	91,941	108,800	250,400	376,500	1,707,672
11.0 Cathodic Protection	228,739	270,989	182,929	298,574	193,681	198,638	73,531	94,529	162,074	327,700	338,300	349,100	2,718,784
12.0 Communications Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
13.0 Information Technology	282,215	93,120	350,884	151,892	192,756	150,893	188,028	89,625	363,312	57,500	108,700	180,100	2,209,026
14.0 <u>Infrastructure Investment</u>													
SHARP II	(234,131)	1,369,633	423,500	6,375,932	4,045,250	4,297,321	3,444,972	3,680,400	3,166,773	1,555,916	1,917,204	1,043	30,043,813
AIRP II	7,809,036	7,493,861	6,652,923	6,302,036	5,156,266	6,468,955	4,923,708	4,266,375	3,040,118	973,200	457,800	3,576,300	57,120,578
Total Infrastructure Investment	7,574,904	8,863,494	7,076,423	12,677,967	9,201,516	10,766,276	8,368,680	7,946,775	6,206,891	2,529,116	2,375,004	3,577,343	87,164,391
TOTAL SJG Capex	15,173,127	19,071,715	17,209,647	23,362,814	19,026,407	21,050,557	18,135,755	16,490,979	16,121,761	13,533,316	13,657,104	13,420,443	206,253,625
Transfer from CWIP to UPIS	-	-	-	-	-	-	-	-	-	3,649,519	19,324,594	34,822,428	57,796,541
Total	15,173,127	19,071,715	17,209,647	23,362,814	19,026,407	21,050,557	18,135,755	16,490,979	16,121,761	17,182,835	32,981,698	48,242,871	264,050,166
Total Retirements	2,914,274	3,123,860	1,764,925	3,460,220	1,548,701	11,946,428	2,361,865	1,908,088	2,933,825	1,162,110	1,162,110	1,162,110	35,448,516
Total	12,258,853	15,947,855	15,444,721	19,902,594	17,477,707	9,104,129	15,773,890	14,582,891	13,187,936	16,020,726	31,819,588	47,080,761	228,601,650

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENT TO JUNE 30, 2020 RATE BASE

	July	August	September	October	November	December	Total Post Test
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Year
	2020	2020	2020	2020	2020	2020	Forecast
							2020
<u>New Business</u>							
1.0 Mains	1,082,500	1,086,600	1,266,200	1,219,100	1,184,300	1,006,800	6,845,500
1.1 Services	1,488,300	1,491,700	1,727,100	1,653,700	1,602,800	1,372,400	9,336,000
1.2 Meters	1,192,300	1,172,400	1,148,000	1,012,000	884,400	870,500	6,279,600
1.3 Regulators	240,700	240,700	240,700	240,700	240,700	269,000	1,472,500
Total New Business	4,003,800	3,991,400	4,382,000	4,125,500	3,912,200	3,518,700	23,933,600
2.0 Improvement Mains	72,800	61,900	61,900	61,900	61,900	61,900	382,300
<u>Replacements</u>							
3.0 Replacement Mains	1,833,400	1,841,800	1,868,800	2,274,400	2,073,800	1,300,300	11,192,500
3.1 Replacement Services	2,887,300	2,943,800	2,910,700	2,829,200	2,835,100	844,500	15,250,600
3.2 Leak Clamping	376,200	494,900	502,600	522,000	570,200	581,900	3,047,800
3.3 Replacement Meters	15,300	15,300	15,300	15,300	15,300	18,100	94,600
3.4 Replacement Regulators	993,700	993,700	993,700	993,700	993,700	993,700	5,962,200
Total Replacements	6,105,900	6,289,500	6,291,100	6,634,600	6,488,100	3,738,500	35,547,700
4.0 Land & Buildings	-	50,300	50,000	-	-	-	100,300.0
5.0 Automotive Equipment	413,600	702,100	1,566,100	1,434,900	676,100	47,800	4,840,600
6.0 Production Equipment	19,800	208,700	12,300	700	700	500	242,700
7.0 Transmission Equipment	181,400	162,700	163,200	88,600	88,900	89,400	774,200
8.0 Distribution Equipment	65,200	65,200	65,200	65,300	65,300	61,400	387,600
9.0 Office Furniture & Equipment	25,100	76,900	25,200	-	26,900	200	154,300
10.0 Building Improvements	391,200	403,900	246,100	309,100	198,100	38,900	1,587,300
11.0 Cathodic Protection	386,400	386,500	386,500	332,800	301,800	289,700	2,083,700
12.0 Communications Equipment	-	-	-	-	-	-	-
13.0 Information Technology	123,400	85,700	30,300	30,400	29,900	26,800	326,500
14.0 <u>Infrastructure Investment</u>							
SHARP II	-	-	-	-	-	-	-
AIRP II	-	-	-	-	-	-	-
Total Infrastructure Investment	-	-	-	-	-	-	-
TOTAL SJG Capex	11,788,600	12,484,800	13,279,900	13,083,800	11,849,900	7,873,800	70,360,800
Transfer from CWIP to UPIS	56,133	67,581	76,813	65,814	-	1,678,758	1,945,099
Total	11,844,733	12,552,381	13,356,713	13,149,614	11,849,900	9,552,558	72,305,899
Total Retirements	1,162,110	1,162,110	1,162,110	1,162,110	1,162,110	1,162,110	6,972,659
Total	10,682,623	11,390,271	12,194,603	11,987,504	10,687,790	8,390,449	65,333,239

**SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO DECEMBER 31, 2020
MAJOR CAPITAL PROJECTS**

Line No.	Project Name	Type of Project	Actuals as of Mar-20	Test Year Projection	Post-Test Year Projection	Total Projection	Projected In Service Date
1	New Sentury Compression Project (A3482)	Transmission Equipment	\$ 28,408,083	\$ 11,956,000	\$ 24,439,300	\$ 64,803,383	December 2020
2	24 New Sentury Traffic Study HDD	Replacement Mains	\$ 11,766	\$ 119,100	\$ 1,365,800	\$ 1,496,666	December 2020
3	8 Ocean Heights Offset	Improvement Mains	\$ 4,077	\$ 325,700	\$ 550,800	\$ 880,577	October 2020
4	Farm Taps 2020 (A4245)	Transmission Equipment	\$ 481,230	\$ 322,500	\$ 75,300	\$ 879,030	December 2020
5	Stokes Road Station Replacement	Transmission Equipment	\$ 35,692	\$ 32,100	\$ 451,900	\$ 519,692	October 2020
6	Timothy Lane Reg Station Replacement	Transmission Equipment	\$ 6,513	\$ 329,200	\$ 51,100	\$ 386,813	July 2020
7	Above Grade Station Asbuilt Program	Transmission Equipment	\$ 14,159	\$ 83,000	\$ 168,300	\$ 265,459	December 2020
8	Gate Station Odorization	Transmission Equipment	\$ -	\$ 25,700	\$ 301,200	\$ 326,900	November 2020
9	Renovation of Folsom Headquarters Facility - comp	Building Improvements	\$ 8,605,106	\$ 2,670,700	\$ 7,824,194	\$ 19,100,000	September 2020
10	Maximo & CC&B Upgrade (A3881)	Information Technology	\$ 4,489,699	\$ 2,483,100	\$ 5,729,900	\$ 12,702,699	August 2020
11	SJG Contact Center Modernization (3286)	Information Technology	\$ 1,875,554	\$ 119,000	\$ 1,492,200	\$ 3,486,754	December 2020
12	ServiceNow Enhancement (ITSM, ITBM)	Information Technology	\$ -	\$ 58,000	\$ 281,700	\$ 339,700	December 2020
13	SCADA Intrusion Prevention System (IPS) Upgrade	Information Technology	\$ -	\$ 228,300	\$ 425,200	\$ 653,500	December 2020
14	Role-Based Access Control (3284)	Information Technology	\$ 448,678	\$ 41,900	\$ 36,800	\$ 527,378	August 2020
15	Safety Management Solution (A3867)	Information Technology	\$ 179,863	\$ 74,000	\$ 216,700	\$ 470,563	August 2020
16	Cyber Risk Remediation (A3880)	Information Technology	\$ 79,392	\$ 68,400	\$ 130,100	\$ 277,892	October 2020
17	NextGen Portal	Information Technology	\$ 65,239	\$ 600	\$ 178,800	\$ 244,639	December 2020
18	Windows/SQL 2008 Upgrades (A4215)	Information Technology	\$ 129,028	\$ 30,300	\$ 129,100	\$ 288,428	August 2020
19	16 & 8 Cape May Lateral Tie In	Replacement Mains	\$ 2,137	\$ 371,000	\$ 147,500	\$ 520,637	July 2020
20	MV Customer Payment Upgrades (3262)	Building Improvements	\$ 8,543	\$ -	\$ 200,600	\$ 209,143	September 2020
21	FO - Roof Replacement	Building Improvements	\$ 235,703	\$ 304,200	\$ 800,000	\$ 1,339,903	October 2020
22	Galloway Station Inlet Relocation (A3886)	Transmission Equipment	\$ 6,521	\$ 108,100	\$ 191,100	\$ 305,721	September 2020
23							
24	Total Post Test Year Major Capital Projects		\$ 45,086,984	\$ 19,750,900	\$ 45,187,594	\$ 110,025,478	

9 & 3 UPDATE

**Schedules
of
B.J. O'Brien**

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
DEPRECIATION EXPENSE AND ACCUMULATED DEPRECIATION

Line No.		Utility Plant in Service	Depreciation Expense (Proposed Rates)	Schedule Reference
1	<u>Depreciation Expense:</u>			
2				
3	Utility Plant In Service as of June 30, 2020	\$ 3,105,824,363	\$ 70,725,057	
4				
5	Test Year Depreciation Expense		<u>\$ 66,649,400</u>	SMG-3
6				
7	Pro Forma Depreciation Expense Annualization Adjustment		\$ 4,075,657	
8				
9	Post Test Year Depreciation Expense Annualization Adjustment	\$ 175,358,718	\$ 6,735,183	
10				
11	Adjustment due to Increase in Proposed Annual Net Negative Salvage Allowance		\$ 2,612,316	BJO-6
12				
13	Adjustment due to Decrease in Non-Legal Asset Retirement Obligation (ARO) Credit		\$ 273,997	BJO-6
14				
15	Total Pro Forma Adjustment to Depreciation Expense (Income Statement)	<u>\$ 3,281,183,080</u>	<u>\$ 13,697,153</u>	
16				
17				
18	<u>Accumulated Depreciation:</u>			
19				
20	Accumulated Depreciation as of June 2020		\$ (569,206,398)	SMG-2
21				
22	Post Test Year Depreciation on UPIS as of June 30, 2020 (Jul 20 -Dec 20)		\$ (35,362,528)	Line 3 / 2
23				
24	Post Test Year Depreciation on PTY Plant (Jul 20 -Dec 20)		\$ (3,367,592)	Line 7 / 2
25				
26	Post Test Year Retirements (Jul 20 -Dec 20)		\$ 6,972,659	BWS-1
27				
28	Post Test Year Net Salvage (Jul 20 -Dec 20)		\$ 4,201,169	BJO-6
29				
30	Post Test Year Net Salvage Allowance (Jul 20 -Dec 20)		\$ (3,636,035)	BJO-6
31				
32	Accumulated Depreciation as of Dec 31, 2020 (Rate Base)		<u>\$ (600,398,726)</u>	

**SOUTH JERSEY GAS COMPANY
NON-LEGAL ASSET RETIREMENT OBLIGATION (ARO) AMORTIZATION**

Line No.		(a) Start Reserve	(b) COR Amort.	(c) Net Salvage Allowance	(d) Net Salvage Incurred	(e) End Reserve
1	Jul-17	\$ 24,657,876	(88,344)	199,181	(613,270)	24,155,442
2	Aug-17	\$ 24,155,442	(88,344)	199,181	(128,516)	24,137,762
3	Sep-17	\$ 24,137,762	(88,344)	177,936	(758,741)	\$ 23,468,612
4	Oct-17	\$ 23,468,612	(88,344)	199,181	(453,737)	\$ 23,125,712
5	Nov-17	\$ 23,125,712	(60,800)	388,313	(208,184)	\$ 23,245,040
6	Dec-17	\$ 23,245,040	(60,800)	388,313	(277,070)	\$ 23,295,482
7	2018	\$ 23,295,482	(729,605)	4,659,755	(6,420,311)	\$ 20,805,321
8	2019	\$ 20,805,321	(729,605)	4,659,755	(8,402,337)	\$ 16,333,134
9	Jan to June 2020	\$ 16,333,134	(364,803)	2,329,878	(4,554,044)	\$ 13,744,165

New Shortfall (net col's c & d)	(8,271,295)
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10	Projected Balance Available to be Returned to Customer as of June 30, 2020	\$ 13,744,165
11	Number of Years Remaining from the Original 40-Year Amortization Period	<u>30 1/6</u>
12	Projected Annual Amortization of Regulatory Liability	\$ 455,608
13	Current Annual Amortization of Regulatory Liability included in Rates (BPU Docket No. GR17010071)	\$ 729,605
14	Proposed Decrease in Annual Amortization of Regulatory Liability	<u>\$ (273,997)</u>
15	Proposed Provision for Annual Net Negative Salvage (3-year average)	\$ 7,272,071
16	Current Provision for Annual Net Negative Salvage	\$ 4,659,755
17	Proposed Change in Annual Net Negative Salvage	<u>\$ 2,612,316</u>

**SOUTH JERSEY GAS COMPANY
CALCULATION OF ADJUSTED TEST YEAR
DEFERRED FEDERAL INCOME TAX (DFIT) INCLUDED IN RATE BASE**

<u>Line No.</u>		<u>POST TEST YEAR ADDITIONS</u>	<u>ADDED TAX DEPRECIATION</u>	<u>DFIT IN RATE BASE</u>
1	Projected DFIT Rate Base Balance 6/30/20			(282,229,768) ⁽¹⁾
2				
3	<u>Normalization on 6/30/20 Plant (PTY 7/20-12/20):</u>			
4				
5	Book Depreciation	33,621,077		
6				
7	Tax Depreciation-Federal	<u>(58,234,207)</u>		
8				
9	Federal Tax Depreciation Over Book		<u>(24,613,129)</u>	
10				
11	<u>Normalization on PTY Additions (PTY 7/20-12/20):</u>			
12				
13	Book Depreciation	3,367,592		
14				
15	Tax Depreciation-Federal	<u>(3,287,976)</u>		
16				
17	Federal Tax Depreciation Over Book		<u>79,616</u>	
18				
19	Total Added Tax Depreciation		(24,533,514)	
20				
21	Deferred FIT (@ effective FIT rate of 21%)			<u>(5,152,038)</u>
22				
23	Federal benefit of state taxes - 21%			<u>1,802,081</u>
24				
25	NOL Carryforward			<u>(27,471,289)</u> ⁽²⁾
26				
27	Adjusted DFIT Rate Base Balance 12/31/20			<u>(313,051,014)</u>

(1) Deferred Balance adjusted to reflect adjusted NOL Carryforward Balance

(2) Reflect update to projected utilization of NOL Carryforward

**SOUTH JERSEY GAS COMPANY
CALCULATION OF ADJUSTED TEST YEAR
DEFERRED NJ CORPORATE BUSINESS TAX (CBT) INCLUDED IN RATE BASE**

<u>Line No.</u>		<u>POST TEST YEAR ADDITIONS</u>	<u>ADDED TAX DEPRECIATION</u>	<u>DFIT IN RATE BASE</u>
1	Projected DFIT Rate Base Balance 6/30/20			(72,689,062) ⁽¹⁾
2				
3	<u>Normalization on 6/30/20 Plant (PTY 7/20-12/20):</u>			
4				
5	Book Depreciation	33,621,077		
6				
7	Tax Depreciation-Federal	<u>(58,234,207)</u>		
8				
9	Federal Tax Depreciation Over Book		<u>(24,613,129)</u>	
10				
11	<u>Normalization on PTY Additions (PTY 7/20-12/20):</u>			
12				
13	Book Depreciation	3,367,592		
14				
15	Tax Depreciation-Federal	<u>(3,287,976)</u>		
16				
17	Federal Tax Depreciation Over Book		<u>79,616</u>	
18				
19	Total Added Tax Depreciation		(24,533,514)	
20				
21	Pro Forma Adjustment - Deferred NJ CBT @ 9.00%			(2,208,016)
22				
23	NOL Carryforward			<u>(6,373,321)</u> ⁽²⁾
24				
25	Adjusted DCBT Rate Base Balance 12/31/20			<u>(81,270,400)</u>

(1) Deferred Balance adjusted to reflect State NOL Carryforward Balance

(2) New Line item to reflect projected utilization of State NOL Carryforward

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
INCOME TAXES - INTEREST SYNCHRONIZATION

<u>Line No.</u>			
1	Adjusted Rate Base	\$ 2,215,934,659	
2			
3	Total Weighted Cost of Long Term Debt	<u>1.75%</u>	
4			
5	Annualized Interest Expense	\$ 38,702,313	
6			
7	Less: Test Year Interest Expense	<u>\$ (37,675,900)</u>	
8			
9	Net Interest Expense		<u>\$ 1,026,413</u>
10			
11	Income Tax Rate		<u>28.11%</u>
12			
13	(Increase)/Decrease to test year income taxes		\$ 288,525
14			
15	Total (Increase)/Decrease to test year income taxes		<u><u>\$ 288,525</u></u>

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
REVENUE AND O&M EXPENSE - FOLSOM FACILITY

Line No.			
1	Rental Income:		
2	Annualized Test Year Rental Income	\$	634,148
3	Less: Test Year Rental Income	\$	-
4	Pro Forma Rental Income Adjustment		\$ 634,148
5	Facility Expense:		
6	Annualized Test Year Facility Expense	\$	640,000
7	Less: Test Year Facility Expense	\$	215,751
8	Pro Forma Facility Expense Adjustment		\$ 424,249

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
PENSION EXPENSE

Line No.		Pension	SERP	FAS 106	Total
		Acct 182387	Acct 182388	Acct 182389	
1					
2	Total Unamortized Deferred Balance as of March 2020	\$ 1,558,037	\$ 3,248,584	\$ (1,333,049)	\$ 3,473,572
3					
4	Projected Monthly Deferred Expenses ⁽¹⁾				
5	Apr-20	\$ 16,213	\$ 119,865	\$ (131,953)	\$ 4,125
6	May-20	\$ 16,213	\$ 119,865	\$ (131,953)	\$ 4,125
7	Jun-20	\$ 16,213	\$ 119,865	\$ (131,953)	\$ 4,125
8		\$ 48,639	\$ 359,595	\$ (395,859)	\$ 12,376
9					
10	Projected Unamortized Deferred Balance as of June 2020	<u>\$ 1,606,676</u>	<u>\$ 3,608,179</u>	<u>\$ (1,728,907)</u>	<u>\$ 3,485,947</u>
11					
12	⁽¹⁾ Projected Monthly expenses based on 2020 estimates from Towers Watson.				
13					
14	Total Projected Deferred Balance at Test Year End June 30, 2020				\$ 3,485,947
15	Amortization Period (Years)				3
16	Pro Forma Annual Amortization Adjustment				<u>\$ 1,161,982</u>
17					
18					
19	Projected Monthly Pension Expense				\$ 4,125
20	Months				12
21	Pro Forma Annual Pension Expense Adjustment				<u>\$ 49,503</u>

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
EARLY RETIREMENT INCENTIVE PLAN

Line No.		Expense
1	Early Retirement Incentive Plan Deferred Balance at June 30, 2020	<u>\$ 5,073,202</u>
2	Pro-Forma Adjustment - Three Year Amortization of Deferred Expense	\$ 1,691,067

SOUTH JERSEY GAS COMPANY
PRO FORMA ADJUSTMENTS TO JUNE 30, 2020 OPERATING INCOME
B.L. ENGLAND COSTS

Line No.		Expense
1	BL England Project Costs at March 31, 2020	<u>\$ 10,079,607</u>
2	Pro-Forma Adjustment - Ten Year Amortization of Deferred Expense	\$ 1,007,961

9 & 3 UPDATE

**Schedules
of
R.B. Hevert**

Hevert Table 8A: Updated Capital Structure

	Capital	Percent of Capital
Common Equity	\$1,127,271,678	54.18%
Long-Term Debt (net of current maturities)	\$953,446,000	45.82%
Total Capitalization	\$2,080,717,678	100.00%

Hevert Table 9A: Updated Embedded Cost of Debt

Maturity	Principal	Unamortized Issuance Costs	Net Principal	Coupon Rate	Annual Interest	Annual Debt Issuance Costs	Total Annual Costs	All-In Cost of Debt
09/20/24	\$40,000,000	\$164,684	\$39,835,316	3.000%	\$1,200,000	\$35,780	\$1,235,780	3.102%
11/30/24	\$28,000,000	\$98,909	\$27,901,091	3.030%	\$848,400	\$20,057	\$868,457	3.113%
12/30/25	\$4,546,000	\$40,338	\$4,505,662	3.630%	\$165,020	\$6,816	\$171,836	3.814%
03/01/26	\$15,000,000	\$165,343	\$14,834,657	4.840%	\$726,000	\$26,469	\$752,469	5.072%
06/30/26	\$45,000,000	\$192,612	\$44,807,388	4.930%	\$2,218,500	\$29,664	\$2,248,164	5.017%
12/30/27	\$45,000,000	\$213,423	\$44,786,577	4.030%	\$1,813,500	\$27,048	\$1,840,548	4.110%
11/21/30	\$34,000,000	\$245,991	\$33,754,009	4.010%	\$1,363,400	\$22,847	\$1,386,247	4.107%
01/30/30	\$30,000,000	\$153,186	\$29,846,814	4.230%	\$1,269,000	\$15,403	\$1,284,403	4.303%
04/01/32	\$35,000,000	\$449,548	\$34,550,452	3.740%	\$1,309,000	\$37,207	\$1,346,207	3.896%
07/15/33	\$32,000,000	\$854,838	\$31,145,162	5.550%	\$1,776,000	\$63,807	\$1,839,807	5.907%
08/01/34	\$10,000,000	\$163,334	\$9,836,666	6.213%	\$621,300	\$11,356	\$632,656	6.432%
09/14/35	\$10,000,000	\$375,850	\$9,624,150	5.450%	\$545,000	\$24,195	\$569,195	5.914%
04/01/36	\$24,900,000	\$954,961	\$23,945,039	3.430%	\$854,070	\$57,997	\$912,067	3.809%
01/25/47	\$200,000,000	\$1,648,532	\$198,351,468	3.000%	\$6,000,000	\$61,681	\$6,061,681	3.056%
04/16/30	\$150,000,000	\$896,145	\$149,103,855	3.280%	\$4,920,000	\$89,565	\$5,009,565	3.360%
04/16/50	\$250,000,000	\$1,493,575	\$248,506,425	3.930%	\$9,825,000	\$49,754	\$9,874,754	3.974%
	\$953,446,000	\$8,111,270	\$945,334,730	3.719%	\$35,454,190	\$579,646	\$36,033,836	3.812%

Hevert Table 10A: Updated Weighted Average Cost of Capital

	Weight	Cost Rate	Weighted Average Cost of Capital
Common Equity	54.18%	10.400%	5.634%
Long-Term Debt	45.82%	3.812%	1.747%
Total Capitalization	100.00%		7.381%

Note 1: The information on this schedule replaces the information provided in Table 8, Table 9, and Table 10 provided on pages 52 and 54 of the Direct Testimony of Company Witness Hevert.