



Agenda Date: 12/17/09
Agenda Item: 2F

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PETITION OF)	DECISION AND ORDER
PIVOTAL UTILITY HOLDINGS, INC. d/b/a)	APPROVING STIPULATION
ELIZABETHTOWN GAS FOR APPROVAL OF)	AND ADOPTING INITIAL
INCREASED BASE TARIFF RATES AND CHARGES)	DECISION
FOR GAS SERVICES AND OTHER TARIFF REVISIONS)	
)	DOCKET NO. GR09030195

Kenneth T. Maloney and Deborah M. Franco (Cullen and Dykman LLP), Attorneys for the Petitioner, Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas
Mary Patricia Keefe, Esq. for Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas

Felicia Thomas-Friel, Deputy Public Advocate; **Henry M. Ogden and Judith B. Appel, Sarah H. Steindel, Kurt Lewandowski and Maria Novas-Ruiz**, Assistant Deputy Public Advocates, Division of Rate Counsel (**Ronald K. Chen**, Public Advocate, **Stefanie A. Brand**, Director)

Alex Moreau, Anne Shatto and Cynthia Holland, Deputy Attorney Generals, for the Staff of the New Jersey Board of Public Utilities (**Anne Milgram**, Attorney General of New Jersey)

BY THE BOARD:

Pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:2-18 and N.J.S.A. 48:2-16, on March 10, 2009, Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas ("Elizabethtown" or "Company") filed a petition with the New Jersey Board of Public Utilities ("BPU" or "Board") seeking an increase in the Company's base gas distribution rates, changes to certain depreciation rates, rate design and tariff items, and authorization to defer costs associated with relocating the Company's call center to New Jersey. Elizabethtown also requested that the Board find a nexus between its Utility Infrastructure Enhancement ("UIE") Rider filing in Dkt. Nos. EO09010049 and GO09010053, its Regional Greenhouse Gas Initiative ("RGGI") Rider filing in Dkt. Nos. EO09010056 and GO09010060, and incorporate the results of these four dockets into the final order in the instant proceeding.

The petition stated that the increased distribution rates, and changes in the Company's proposed tariff, were designed to produce additional revenues of \$24.8 million, representing a 4.7% increase in gas distribution rates. According to the petition, the filing was made in compliance with the Board's November 17, 2004 Order in Docket No. GM04070721 in which the Board authorized the acquisition of Elizabethtown by AGL Resources Inc., and required the Company to file a base rate case no later than March, 2009 so that new rates could be effective at the beginning of the sixth year after the closing of the merger¹.

The March 10, 2009 filing was based on a test-year consisting of the twelve months ending September 30, 2009, comprised of three months of actual results and nine months of projected data, and post test-year adjustments for projected changes, some of which extended through the end of February, 2010.

The petition was transmitted to the Office of Administrative Law ("OAL") on April 6, 2009 for evidentiary hearings, and was assigned to Administrative Law Judge ("ALJ") Richard McGill.

On June 4, 2009, the ALJ issued his Pre-hearing Order, which included deadlines for submittal of testimony by the New Jersey Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel") and Company rebuttal, and established dates for public and evidentiary hearings.

On May 14, 2009 New Jersey Natural Gas Company ("NJNG") filed a motion to intervene in this docket. NJNG was granted participant status by ALJ McGill.

Notice of the four public hearings was published in newspapers of general circulation in Elizabethtown's service area. These hearings were held in Rahway, on July 6, 2009 and August 11, 2009 and in Flemington on August 3, 2009 and August 5, 2009. No members of the public appeared at these public hearings.

Following the review of the Company's filing, representatives of Rate Counsel, Staff of the Board of Public Utilities ("Staff") and the Company (collectively referred to herein as "the Stipulating Parties") engaged in extensive discovery over several months.

On August 21, 2009, Rate Counsel filed its Direct Testimony in response to Elizabethtown's filing.

On September 15, 2009, the Company filed its Rebuttal Testimony with updated schedules which included nine months of actual and three months of estimated data ("9+3 Update"). The 9+3 Update supported a revenue requirement of \$17.6 million which is \$7.2 million less than the \$24.8 million requested by the Company in the petition.

¹ A filing certification issued by the New Jersey Department of Treasury states that a certificate of merger was filed on November 30, 2004. Therefore, the sixth year begins in December 2009.

The Stipulating Parties met on numerous occasions to discuss settlement, and executed a stipulation dated November 25, 2009 ("Stipulation"), the salient points of which are as follows:

THE PROPOSED STIPULATION²

1. Upon Board approval, Elizabethtown will be permitted to increase its base rates in a manner designed to produce a total annual revenue requirement increase of \$2.9 million.
2. The new distribution rates agreed to reflect a pre-tax rate of return of 11.30% and a weighted average after-tax cost of capital of 7.64%.
3. The rate base used to establish rates in this proceeding includes a reduction for consolidated tax savings in accordance with principles established in the April 20, 2004 Board Order in I/M/O Rockland Electric Company for Approval of Changes In Its Electric Rates, Its Tariff for Electric Service, Its Depreciation Rates, And for Other Relief, Docket No. ER02100724. Elizabethtown has agreed to maintain copies of the Federal consolidated income tax returns that include Elizabethtown, and any additional financial information that is necessary to prepare this calculation, at its New Jersey office.
4. The revised composite depreciation rate is 2.58% as set forth in Appendix C to the Stipulation.
5. \$557,000 in rate case expenses will be amortized over a five year period.
6. \$1,423,056 of costs associated with Pipeline Replacement Program that were deferred in accordance with the Board's August 18, 2006 Order in I/M/O The Petition of Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas Company To Establish A Pipeline Replacement Program Cost Recovery Rider, Docket Number GR05040371, will now be included in the rate base.
7. The following cost recoveries sought by the Company have been excluded from the determination of the revenue requirement in this proceeding:
 - a. Internal labor costs associated with manufactured gas plant ("MGP") investigation and remediation;
 - b. Internal labor costs associated with energy efficiency;
 - c. Energy efficiency-related outreach and education costs;
 - d. On-going expenses associated with operating a customer dashboard.

The Company will be permitted to seek to recover reasonable and prudent levels for item a. (above) through the MGP cost recovery component of the Societal Benefits Charge ("SBC") or an appropriate successor tariff rider, and b. c. and d. (above) through Elizabethtown's RGGI Rider or appropriate successor tariff riders.

² Although described at some length in this Order, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusion in this Order.

8. The Company will submit to Rate Counsel and Staff quarterly reports concerning Elizabethtown's performance of the service measures specified in the Stipulation.
9. In its annual UIE Rider filings, the Company will provide Staff and Rate Counsel with forecasted and actual UIE Rider-related capital expenditures as specified in the Stipulation.
10. Board approval of this Stipulation will be interpreted as the Board ruling that there is a sufficient nexus between the instant docket and the RGGI and UIE proceedings that will permit Elizabethtown to assess rates, after appropriate Board approval, that would allow recovery of reasonable and prudent costs that are included in Elizabethtown's annual RGGI and UIE rider filings pursuant to the Board's Orders in the most recent RGGI and UIE rider filings.
11. Temperature Control and Multi-Family rate classifications are eliminated, and re-classified as 'General Delivery Service';
12. The Weather Normalization Clause ("WNC") factors were updated to reflect the use of a twenty-year weather pattern to establish rates.
13. The current Residential Delivery Service dual block volumetric rate structure is replaced with a single volumetric block rate structure.
14. Transitional Energy Facility Assessment rates are consolidated into three rates assigned, as appropriate, into residential, commercial or industrial service classifications.
15. The effective date of the Stipulation is the date of a Board Order approving this Stipulation without modification.
16. The docket will remain open for the purpose of resolving the following issues in a Phase II proceeding:
 - a. Within thirty days of Board approval of the Stipulation, the Stipulating Parties will meet to consider the Company's proposed Efficiency and Usage Adjustment ("EUA") tariff to replace the Company's existing WNC.
 - b. Within six months of the effective date of a Board Order in this matter, the Company will prepare a study of the possible locations for a new walk-in service center to be located in its Northwest portion of its service territory. Once it is determined where the Company will establish the new service center, and the Staff, Rate Counsel and the Company reach an agreement concerning the costs for the new service center, Elizabethtown will be permitted to revise its rates, after appropriate Board approval, to recover its prudent and reasonable start-up and ongoing costs of operating the new service center. The method by which such costs will be recovered by the Company will be determined by the Board in Phase II.
 - c. The Stipulating Parties recognize that the management audit recently conducted by Liberty Consulting may result in recommendations which, if implemented, would require Elizabethtown to incur incremental costs. The management audit

conceivably also could recommend the disallowance of costs reflected in the Company's base delivery rates. The Company will be permitted to revise its rates to recover its prudent, reasonable, and known and measurable costs of complying with recommendations adopted by the Board after such costs have been offset by the known and measurable cost savings resulting from efficiency measures that the Company implements as a result of the recommendations set forth in the management audit and directives set forth in the Board order in the matter. The Company's rates will also be reduced for any cost disallowances arising from the management audit and approved by the Board. The amount and method by which rates will be adjusted, if at all, for costs and savings will be determined by the Board in Phase II.

- d. The Stipulating Parties agree to permit modifications to base delivery rates as are necessary to incorporate the costs of UIE projects in Phase II.
- e. The Stipulating Parties will investigate supplemental reporting requirements to increase information on the Company's integrated resource planning.
- f. In the event that any of the Phase II issues cannot be resolved by the Stipulating Parties, Staff will notify the Board via memorandum indicating that the Parties are unable to resolve the open issues by stipulation, and the case will proceed as a litigated matter.

Except as specified in the Stipulation, Elizabethtown will not propose to make effective a general increase in its base delivery rates for a period of two years from the effective date of the Board's decision in this docket. This 'stay-out' agreement will not preclude the resolution of the Phase II issues described above or prevent the Company from seeking approval to implement rate adjustments generally applicable to utilities in the State or resulting from the operation of tariff riders, both existing or subsequently approved.

On December 2, 2009, ALJ Richard McGill issued his Initial Decision in the proceeding. ALJ McGill found that the Signatory Parties to the Stipulation voluntarily agreed to a settlement in this matter, and that the Stipulation fully disposes of all issues in controversy and is consistent with the law.

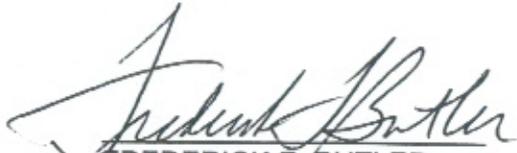
Based on the Board's careful review and consideration of the record in this proceeding, the Board **HEREBY FINDS** the Initial Decision and the Stipulation to be reasonable, in the public interest and in accordance with the law. Therefore, the Board **HEREBY ADOPTS** ALJ McGill's Initial Decision and the Stipulation as its own, as if fully set forth herein. The Board notes that the stipulated increase in gas distribution rates is \$2.9 million or 0.55% compared to the \$28.4 million or 4.7% sought by the Company in its petition. As such, typical residential gas heating customers using 100 therms of gas per month will see an increase of \$0.93 or 0.7% in their overall monthly gas bills.

The Board HEREBY FINDS that the tariff sheets attached to the Stipulation by Elizabethtown comply with the terms of the Stipulation and HEREBY APPROVES the attached tariff sheets effective as of the date of this Board's Order, and HEREBY DIRECTS the Company to file within the next five (5) business days a compliance tariff, with the appropriate effective date, that is consistent with the terms of this Order.

DATED: 12/17/09

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

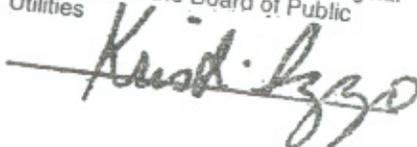

NICHOLAS ASSELTA
COMMISSIONER


ELIZABETH RANDALL
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

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



In the Matter of the Petition of Pivotal Utility Holdings, Inc.
d/b/a Elizabethtown Gas for Approval of Increased Base Tariff Rates
and Charges for Gas Service and other Tariff Revisions
BPU Docket No. GR09030195

SERVICE LIST

BOARD OF PUBLIC UTILITIES		
Victor Fortkiewicz Board of Public Utilities Two Gateway Center Newark, NJ 07102	Jerome May Board of Public Utilities Two Gateway Center Newark, NJ 07102	Eric Hartsfield Board of Public Utilities Two Gateway Center Newark, NJ 07102
Mark Beyer Board of Public Utilities Two Gateway Center Newark, NJ 07102	Sheila Iannaccone Board of Public Utilities Two Gateway Center Newark, NJ 07102	Jacqueline Galka Board of Public Utilities Two Gateway Center Newark, NJ 07102
Alice Bator Board of Public Utilities Two Gateway Center Newark, NJ 07102	Robert Schultheis Board of Public Utilities Two Gateway Center Newark, NJ 07102	Suzanne Patnaude Board of Public Utilities Two Gateway Center Newark, NJ 07102
Kristi Izzo, Secretary Board of Public Utilities Two Gateway Center Newark, NJ 07102	Henry Rich Althea Curry Beverly Tyndell Scott Sumliner Board of Public Utilities Two Gateway Center Newark, NJ 07102	
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Felicia Thomas-Friel, Esq. Division of Rate Counsel 31 Clinton Street, 11 th Floor P.O. Box 46005 Newark, NJ 07101	Stefanie A. Brand, Esq. Division of Rate Counsel 31 Clinton Street, 11 th Floor P.O. Box 46005 Newark, NJ 07101	Henry Ogden, Esq. Division of Rate Counsel 31 Clinton Street, 11 th Floor P.O. Box 46005 Newark, NJ 07101

DEPARTMENT OF LAW & PUBLIC SAFETY

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<p align="center">ELIZABETHTOWN GAS</p>		<p align="center">OTHERS</p>
<p>Mary Patricia Keefe, Esq. Elizabethtown Gas 300 Connell Drive, Suite 3000 Berkeley Heights, NJ 07922</p>		<p>Kenneth T. Maloney, Esq. Cullen and Dykman 1101 14th Street, NW, Suite 550 Washington, DC 20005</p>



State of New Jersey
OFFICE OF ADMINISTRATIVE LAW
33 Washington Street
Newark, NJ 07102
(973) 648-6008

**A copy of the administrative law
judge's decision is enclosed.**

**This decision was mailed to the parties
on DEC 4 2009**



State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION

SETTLEMENT

OAL DKT. NO. PUC 3655-09

BPU DKT. NO. GR09030195

**IN THE MATTER OF THE PETITION OF PIVOTAL
UTILITY HOLDINGS, INC. D/B/A
ELIZABETHTOWN GAS FOR APPROVAL
OF INCREASED BASE TARIFF RATES AND
CHARGES FOR GAS SERVICE AND OTHER
TARIFF REVISIONS.**

Kenneth T. Maloney, Esq., and Deborah M. Franco, Esq., for
Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas
(Cullen and Dykman, attorneys)

Mary Patricia Keefe, Esq., for Pivotal Utility Holdings, Inc.
d/b/a Elizabethtown Gas

Felicia Thomas-Friel, Deputy Public Advocate, and Henry M. Ogden,
Assistant Deputy Public Advocate, for the Division of Rate Counsel
(Stefanie A. Brand, Director, attorney)

Alex Moreau, Deputy Attorney General, and Anne Marie Shatto,
Deputy Attorney General, for the Staff of the Board of Public Utilities
(Anne Milgram, Attorney General of New Jersey, attorney)

Record Closed: November 30, 2009

Decided: December 2, 2009

BEFORE RICHARD McGILL, ALJ:

On March 10, 2009, Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas ("Elizabethtown" or "Company") filed a Petition ("March 10 Filing") with the New Jersey Board of Public Utilities ("BPU" or "Board") requesting authority to increase base tariff rates and charges for gas service designed to produce an increase in annual operating revenues of approximately \$24.8 million or 4.7%. The March 10 Filing also proposed to increase the Company's composite depreciation rate and to make certain rate design and tariff changes, including the elimination of declining block rates in the residential class, an increase in certain customers' service charges and the implementation of a new Efficiency and Usage Adjustment clause. The March 10 Filing also requested authority to defer certain costs associated with relocating the Company's call center to New Jersey and implementing recommendations associated with the Company's management audit and compliance with the New Jersey Energy Master Plan. On September 15, 2009, the Company updated its March 10 Filing with a "9+3" update and showed a need for annual rate relief in the amount of \$17.6 million as compared to the \$24.8 million reflected in the March 10 Filing.

The matter was transmitted to the Office of Administrative Law on April 6, 2009, for determination as a contested case. In addition to Elizabethtown, the parties to this proceeding include the Board's Staff and the New Jersey Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel"). New Jersey Natural Gas Company was granted participant status.

Public hearings were held in Rahway, New Jersey, on July 6, 2009, and August 11, 2009, and in Flemington, New Jersey, on August 3, 2009, and August 5, 2009. No members of the public appeared at any public hearing. Evidentiary hearings were adjourned for the parties to discuss settlement. On November 24, 2009, Elizabethtown submitted a Stipulation which resolves all issues in this case. The Stipulation is signed by representatives of Elizabethtown, Board Staff and Rate Counsel.

The Stipulation provides for a total annual revenue requirement increase of \$2.9 million, sets new base rates for gas service and resolves the rate design, accounting and various tariff issues presented by the March 10 Filing. The Stipulation also provides for a Phase II to resolve several issues.

Having reviewed the record and the settlement terms, I **FIND** as follows:

1. The parties have voluntarily agreed to the settlement as evidenced by their signatures or the signatures of their representatives.
2. The settlement fully disposes of all issues in controversy, with exception of the Phase II issues, and is consistent with the law.

Therefore, I **CONCLUDE** that the agreement meets the requirements of N.J.A.C. 1:1-19.1 and that the settlement should be approved. Accordingly, it is **ORDERED** that the parties comply with the settlement terms, and it is **FURTHER ORDERED** that the proceedings in this matter be concluded.

I hereby **FILE** my initial decision with the **BOARD OF PUBLIC UTILITIES** for consideration.

This recommended decision may be adopted, modified or rejected by the **BOARD OF PUBLIC UTILITIES**, which by law is authorized to make a final decision in this matter. If the **BOARD OF PUBLIC UTILITIES** does not adopt, modify or reject this decision within forty-five (45) days and unless such time limit is otherwise extended, this recommended decision shall become a final decision in accordance with N.J.S.A. 52:14:B-10.

December 2, 2009

DATE

Date Received at Agency:

Rich McGill

RICHARD McGILL, ALJ

12-4-09

Mailed to Parties:

Anna Sanders

DIRECTOR AND
CHIEF ADMINISTRATIVE LAW JUDGE

OFFICE OF ADMINISTRATIVE LAW

DEC 4 2009

DATE

cml

OFFICE OF ADMINISTRATIVE LAW
23 WASHINGTON STREET
NEWARK, NJ 07102

NOV 30 2009

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

In the Matter of the Petition of Pivotal)
Utility Holdings, Inc. d/b/a)
Elizabethtown Gas for Approval of)
Increased Base Tariff Rates and Charges)
for Gas Service and Other Tariff)
Revisions)

STIPULATION

BPU Docket No.: GR09030195
OAL Docket No.: PUC-03655-2009N

APPEARANCES:

Kenneth T. Maloney and Deborah M. Franco (Cullen and Dykman LLP), Attorneys for the Petitioner, Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas
Mary Patricia Keefe, Esq. for Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas

Felicia Thomas-Friel, Deputy Public Advocate; **Henry M. Ogden and Judith B. Appel**, **Sarah H. Steindel**, **Kurt Lewandowski** and **Maria Novas-Ruiz**, Assistant Deputy Public Advocates, Division of Rate Counsel (**Ronald K. Chen**, Public Advocate, **Stefanie A. Brand**, Director)

Alex Moreau, **Anne Shatto** and **Cynthia Holland**, Deputy Attorney Generals, for the Staff of the New Jersey Board of Public Utilities (**Anne Milgram**, Attorney General of New Jersey)

TO THE HONORABLE RICHARD McGILL:

BACKGROUND

On March 10, 2009, Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas ("Elizabethtown" or "Company") filed a Petition ("March 10 Filing") with the New Jersey Board of Public Utilities ("BPU" or "Board") requesting authority (i) pursuant to *N.J.S.A.* 48:2-21 to increase base tariff rates and charges for gas service designed to produce an increase in annual operating revenues of approximately \$24.8 million or 4.7%, (ii) pursuant to *N.J.S.A.* 48:2-18 to increase the Company's composite depreciation rate to 3.54 percent, an increase of 0.34 percentage points, (iii) pursuant to *N.J.S.A.* 48:2-16 to defer certain costs associated with relocating the Company's call center to New

Jersey and implementing recommendations associated with the Company's management audit and compliance with the New Jersey Energy Master Plan, and (iv) to make certain rate design and tariff changes, including the elimination of declining block rates in the residential class, an increase in certain customers charges, the implementation of a new Efficiency and Usage Adjustment ("EUA") clause and various tariff revisions.

The March 10 Filing was made in compliance with the Board's November 17, 2004 order in Docket No. GM04070721 ("November 17 Order"). The November 17 Order authorized the acquisition of Elizabethtown by AGL Resources Inc. and required Elizabethtown to implement a five-year base rate stay-out and to make a base rate filing no later than March, 2009.

The March 10 Filing was based on a test year consisting of the twelve months ending September 30, 2009, containing 3 months of actual data and 9 months of projected data and proposing post-period adjustments for projected changes in rate base and capital structure and projected changes in expenses through either the end of calendar year 2009, or, in some limited instances, through the end of February, 2010. The March 10 Filing was accompanied by the testimony of the following witnesses: Jodi Gidley (Case Overview), Donald F. Carter (Operations and Capital Expenditures), Connie McIntyre (Customer Service and the Establishment of a Call Center in New Jersey), Michael Morley (Cost of Service/Revenue Requirement), Robert DePriest (Lead Lag Study), Dr. Kimbugwe A. Kateregga (Depreciation), Dr. Roger Morin (Cost of Capital), Daniel P. Yardley (Rate Design) and Thomas Kaufmann (Revenue Forecast/Rates and Tariffs).

On September 15, 2009 the Company updated its March 10 Filing with a "9+3" update providing an additional 6 months of actual data. In that filing, the Company

submitted schedules that reflected a \$17.6 million revenue requirement as compared to the \$24.8 million reflected in the March 10 Filing. Also, on November 4, 2009, the Company submitted to the parties the "12+0" update filing that reflected a revenue requirement of \$16.4 million.

On January 20, 2009, Elizabethtown filed with the Board a Utility Infrastructure Enhancement proposal ("UIE Filing") in Docket Nos. EO09010049 and GO09010053 in which Elizabethtown proposed to recover the costs of certain capital projects that were not included in its projected normal 2009 capital budget. The projected cost of these projects was \$60.4 million. The Company's UIE Filing was approved by the Board by order dated April 28, 2009. On February 5, 2009, Elizabethtown made a filing in accordance with the Global Warming Response Act (also known as the Regional Greenhouse Gas Initiative legislation ("RGGI Filing")) in Docket Nos. EO09010056 and GO09010060 in which it proposed to implement and recover the costs associated with certain energy efficiency programs at a projected annual cost of \$14.6 million. The RGGI Filing was approved by the Board by order dated August 3, 2009. The March 10 Filing requested that the Board find a nexus between the UIE and RGGI Filings and incorporate the results of these separate processes into the Board's final order in this proceeding.

Elizabethtown's March 10 Filing was transmitted to the Office of Administrative Law as a contested case and assigned to the Honorable Richard McGill. A pre-hearing conference was held on May 8, 2009 and a procedural order was subsequently issued by Judge McGill. On May 14, 2009, New Jersey Natural Gas Company ("NJNG") filed a motion to intervene. At Elizabethtown's request, NJNG agreed to and was granted participant status by Judge McGill by order issued June 5, 2009. Public notice was provided

and four public hearings were held in Rahway, New Jersey on July 6, 2009 and August 11, 2009 and in Flemington, New Jersey on August 3, 2009 and August 5, 2009. No members of the public appeared at any public hearing.

After extensive discovery, on August 21, 2009, the New Jersey Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel") submitted the testimony of the following witnesses in response to the Company's March 10 Filing, as updated: Robert J. Henkes (Revenue Requirement); Matthew I. Kahal (Capital Structure/Cost of Capital); Brian Kalcic (Rate Design); Richard W. LeLash (Policy/Call Center/Energy Efficiency and Remediation-related costs); Michael J. Majoros, Jr. (Depreciation), David Nichols (Energy Efficiency), Dian P. Callaghan (Customer Service); Michael McFadden, A.E. Middents and John N. Peters (Operations and Engineering) and David E. Peterson (Cash Working Capital).

On September 15, 2009, Elizabethtown filed the rebuttal testimony of the following witnesses: Jodi Gidley (Policy Issues), Donald F. Carter (Operations and Capital Expenditures), Connie McIntyre (Customer Service), Michael Morley (Cost of Service/Revenue Requirement), Robert DePriest (Lead Lag Study), Dr. Kimbugwe A. Kateregga (Depreciation), Dr. Roger Morin (Cost of Capital), Daniel P. Yardley (Rate Design), Thomas Kaufmann (Revenue Forecast/Rates and Tariffs), David J. Smith (Employee Compensation) and Grace Kolvereid (Consolidated Tax Adjustment).

Notice of settlement discussions was provided to all parties and representatives of Elizabethtown, Board Staff and Rate Counsel met to discuss the issues in this case. As a result of these meetings, Elizabethtown, Board Staff and Rate Counsel ("Stipulating

Parties") have reached this Stipulation resolving all issues in this proceeding subject to the terms and conditions stated herein.

STIPULATED MATTERS

Specifically, the Stipulating Parties hereby STIPULATE AND AGREE as follows:

A. **Rate Increase.** As of the Effective Date as defined below,¹ Elizabethtown will be permitted to increase its base rates in a manner designed to produce a total annual revenue requirement increase of \$2.9 million. This annual revenue requirement increase is based upon a rate base of \$420 million and the following capital structure and cost rates:

	%	Cost Rate
Long Term Debt	45.10	5.77%
Short Term Debt	7.01	1.50%
Common Equity	47.89	10.30%

Applying the above stated capital structure, cost rates and current income tax rates results in a pre-tax rate of return of 11.30% and a weighted average after-tax cost of capital of 7.64%. The revenue expansion factor used to gross-up costs for taxes is 1.7312. Elizabethtown's total annual base rate revenue requirement is \$137,876,943.

The rate base used to establish rates in this proceeding includes a reduction for consolidated tax savings. This reduction was determined in accordance with principles established in *I/M/O Rockland Electric Company for Approval of Changes In Its Electric Rates, Its Tariff for Electric Service, Its Depreciation Rates, And For Other Relief*,

¹ As discussed *supra*, under the Board's November 17 Order, Elizabethtown was required "to implement a five year base rate stay out following the transaction closing." November 17 Order at 11. Elizabethtown closed the transaction November 30, 2004 and the Company has provided the Stipulating Parties proof of this closing date. Accordingly, the Effective Date of this Stipulation may be any date later than November 30, 2009.

Docket No. ER02100724 (April 20, 2004) ("ER02100724 RECO Order"). Elizabethtown agrees that it will provide as part of all future distribution rate cases and after the execution of a confidentiality agreement, a consolidated tax savings schedule that is calculated using the methodology approved by the Board on Page 64 of the ER02100724 RECO Order. Elizabethtown will maintain copies of the Federal consolidated income tax returns that Elizabethtown is included in and any additional financial information that is necessary to prepare this calculation at its New Jersey office.

A proof of revenues supporting the total annual revenue requirement and the proposed rates is attached as Appendix A to this Stipulation. The proof of revenues sets forth the allocation of the \$2.9 million annual revenue increase among the Company's customer classes. Comparisons of customers' present and proposed bills are attached as Appendix B.

B. Depreciation. The annual revenue requirement has been determined by applying the depreciation rates set forth on Appendix C to this Stipulation. These depreciation rates result in a composite rate of 2.58%; a percentage point reduction of 0.62% from Elizabethtown's current composite depreciation rate of 3.20%. As of the Effective Date, Elizabethtown will implement the depreciation rates set forth on Appendix C to this Stipulation. Those rates reflect net negative salvage allowances based on the present value of Elizabethtown's estimated future net salvage for the affected accounts. Elizabethtown also agrees to amortize \$713,620 against the portion of the Reserve for Accumulated Depreciation that reflects cost of removal (non-legal asset retirement obligation). This amortization is reflected in the depreciation rates set forth on Appendix C.

C. Amortization Of Deferred Debits. The annual revenue requirement in this proceeding reflects the amortization over a five year period of \$557,000 recoverable rate case expenses, \$1,423,056 of deferred pipeline replacement program costs deferred in accordance with the Board's August 18, 2006 Order in *I/M/O The Petition Of Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas Company To Establish A Pipeline Replacement Program Cost Recovery Rider*, Docket No. GR05040371 and \$818,808 of costs incurred for the management audit currently being conducted by Liberty Consulting.

D. Energy Efficiency And Manufactured Gas Plant-Related Costs. In its filings in this proceeding, Elizabethtown proposed to include in its base delivery rates (i) certain internal labor costs associated with manufactured gas plant ("MGP") investigation and remediation, (ii) certain internal labor costs associated with energy efficiency, (iii) certain energy efficiency-related outreach and education costs, and (iv) certain ongoing expenses associated with operating a customer dashboard. These costs have been eliminated from the determination of the annual revenue requirement in this proceeding. Elizabethtown will be permitted to seek to recover reasonable and prudent levels of the costs identified in item (i) of this paragraph through the MGP-cost recovery component of its existing Societal Benefits Charge or an appropriate successor tariff rider. Elizabethtown will be permitted to recover reasonable and prudent levels of the costs identified in items (ii), (iii) and (iv) of this paragraph through its Regional Greenhouse Gas Initiative Charge or an appropriate successor tariff rider. There is a sufficient nexus between this base rate proceeding and any subsequent tariff rider proceeding in which

Elizabethtown seeks to recover costs associated with items (i) through (iv) to support recovery of these costs outside the context of a base rate case.

E. Service Standards. Elizabethtown will submit to Rate Counsel and the Director of the Division of Customer Assistance quarterly reports concerning the Company's performance in relation to certain service measures identified below. Specifically, information will be provided setting forth the Company's performance in relation to the following metrics:

- (i) until June 30, 2010, 80% of calls answered within 60 seconds; after June 30, 2010, 80% of calls answered within 30 seconds;
- (ii) 5% or less of abandoned calls;
- (iii) 95% of meters read monthly;
- (iv) 20 or fewer rebills per 1,000 customers;
- (v) 95% of leak calls responded to within 60 minutes; and, the Company agrees to report quarterly to the BPU for all calls that are not responded to within 60 minutes, stating the reasons for the delay;
- (vi) 95% of service appointments met on the day scheduled; and
- (vii) less than 1 complaint/contact per 1,000 customers annually.

In addition, the Company will conduct ongoing surveys of customer satisfaction with its telephone and field personnel and provide the results to Rate Counsel and Board Staff. Additional information concerning these service standards is provided in Appendix D to this Stipulation.

F. RGGI And UIE Proceedings. By approving this Stipulation, the Board would determine that there is a sufficient nexus between this base rate proceeding and the

UIE and RGGI proceedings so as to permit Elizabethtown to assess rates, after appropriate Board approval, that would allow the Company to recover costs that are prudently incurred in the Company's annual RGGI and UIE filings in accordance with the Board's previous orders in the RGGI and UIE proceedings.

G. Tariff Sheets. Tariff Sheets reflecting the stipulated rates, terms and conditions of service are attached to this Stipulation as Appendix E. The tariff sheets reflect, among other items, the following significant modifications to the Company's tariff:

- (i) replacement of the current Residential Delivery Service dual block volumetric rate structure with a single volumetric block rate structure;
- (ii) elimination of the Temperature Control and Multi-Family service classifications and the transfer of customers in those service classifications to the General Delivery Service classification;
- (iii) the consolidation of Transitional Energy Facility Assessment rates into three rates assigned, as appropriate, to residential, commercial or industrial service classifications;
- (iv) the update of the Weather Normalization Clause factors to reflect the rate changes approved in this proceeding and the use of a 20-year weather pattern to establish rates;
- (v) changes to proposed Section 7.06 of the standard terms and conditions of Elizabethtown's tariff to conform that provision to *N.J.A.C. 14:3-7.2(e)(3)* and to limit the Company's rights to suspend meter reading in the summer; specifically,

that the Company will not suspend meter reading to customers with working automatic meter reading devices; and

(vi) monthly customer charges of \$8.00 applicable to the Residential Delivery Service classification and \$20.00 for the General Delivery Service Classification, inclusive of current sales taxes.

H. **Effective Date.** The Effective Date of this Stipulation is the date of a Board order approving this Stipulation without modification.

I. **Phase II.** This proceeding shall remain open for the purpose of resolving the following issues in Phase II:

(i) **Efficiency And Usage Adjustment.** In this proceeding Elizabethtown proposed to establish an Efficiency and Usage Adjustment ("EUA") tariff rider to replace its existing Weather Normalization Clause ("WNC"). Within 30 days of the Board's approval of this Stipulation, the Stipulating Parties will meet for the purpose of resolving issues associated with the implementation of the EUA. Pending such resolution, the WNC shall remain in effect and will be updated to reflect revised degree day adjustment factors based upon the rate design agreed to herein as well as the weather experienced over the twenty year period 1988-2008.

(ii) **Consumer Service Center In The Northwest Portion Of Elizabethtown's Service Territory.** Elizabethtown will prepare a study of possible locations for a new walk-in service center to be located in the northwest portion of its service territory. This study will include an analysis of the start-up and ongoing costs associated with such new service center. Elizabethtown will complete this study within six months of the Effective Date established by the Board in this matter. Upon

completion of the study, Elizabethtown will file the study with the Director of Customer Assistance, the Energy Division Director, and Rate Counsel and meet with the parties within the following thirty-day period to determine how to proceed. Once it is determined where the Company should establish the new service center, and the Director of Customer Assistance, the Energy Division Director, Rate Counsel and the Company reach an agreement concerning the costs for the new service center, Elizabethtown will be permitted to revise its rates, after appropriate Board approval, to recover its prudent and reasonable start-up and ongoing costs of operating the new service center. Such costs may include capital costs and operating and maintenance expenses. The methodology by which such costs will be recovered by the Company will be determined by the Board in Phase II.

(iii) **Management Audit Costs.** Elizabethtown is currently undergoing a comprehensive management audit that is being conducted by Liberty Consulting. Phase II of this proceeding will address the recommendations of the audit. The Stipulating Parties recognize that the management audit may result in recommendations which, if implemented, would require Elizabethtown to incur incremental costs. The Management Audit conceivably also could recommend the disallowance of costs reflected in the Company's base delivery rates. Elizabethtown will be permitted to revise its rates to recover its prudent, reasonable, and known and measurable costs of complying with recommendations adopted by the Board in the management audit after such costs have been offset by known and measurable cost savings resulting from efficiency measures that the Company implements as a result of the recommendations set forth in the management audit and directives set forth in the Board Orders resulting in that matter.

Elizabethtown's rates will also be reduced for any cost disallowances arising from the Management Audit and approved by the Board. The amount by which rates will be adjusted for costs, savings, and cost disallowances and the methodology by which rates will be adjusted, if at all, will be determined by the Board in Phase II.

(iv) **UIE Costs.** Phase II will remain open to permit such modifications to base delivery rates as are necessary to incorporate the costs of the UIE projects into Elizabethtown's base rates.

(v) **Resource Planning.** The Board's April 28, 2009 Order approving the UIE Rider imposes certain reporting and minimum filing requirements on the Company. In Phase II, the Stipulating Parties will investigate ways to supplement these reporting requirements so that the Company will provide more information concerning integrated resource planning. These discussions will be informed by the results of the Company's current Management Audit.

(vi) **Dispute Resolution.** In the event that any of the Phase II issues cannot be resolved by the Stipulating Parties, Staff will send a memo to the Board indicating that the Parties are unable to resolve the open issues by stipulation and the case will proceed as a litigated matter.

J. **Stay-Out.** Except as provided below, Elizabethtown will not propose to make effective a general increase in its base delivery rates for a period of two years from the Effective Date established in the Board Order. This "stay-out" agreement shall not preclude the resolution of Phase II issues as described above. Nor shall it preclude Elizabethtown from making rate changes under any of its existing tariff riders that contain rate adjustment clauses or any such additional tariff riders that may be approved

by the Board in the future. Moreover, this "stay-out" provision shall not preclude the Company from implementing rate adjustments that are generally applicable to utilities throughout the State, such as rate changes associated with sales or gross receipts tax changes.

K. Further Provisions. This Stipulation represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, any Stipulating Party aggrieved thereby shall not be bound to proceed with this Stipulation and shall have the right to litigate all issues addressed herein to a conclusion. More particularly, in the event this Stipulation is not adopted in its entirety by the Board, in any applicable Order(s), then any Stipulating Party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation as though this Stipulation had not been signed.

It is the intent of the Stipulating Parties that the provisions hereof be approved by the Board as being in the public interest. The Stipulating Parties further agree that they consider the Stipulation to be binding on them for all purposes herein.

It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings. Except as expressly provided herein, Elizabethtown, the Board, its Staff and Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein and, in total or by specific item. The Stipulating Parties further agree that this

Stipulation is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.

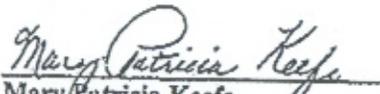
Stipulation

WHEREFORE, the Parties hereto do respectfully submit this Stipulation to the Presiding Administrative Law Judge and Board of Public Utilities and request (i) the Presiding Administrative Law Judge to issue an initial decision approving this Stipulation, and (ii) the Board to issue a Decision and Order approving this Stipulation in its entirety in accordance with the terms hereof.

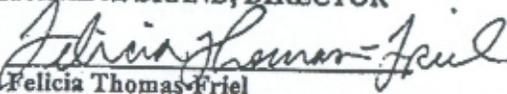
ANNE MILGRAM
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the New Jersey
Board of Public Utilities

PIVOTAL UTILITY HOLDINGS, INC.
d/b/a ELIZABETHTOWN GAS

By: 
Alex Moreau
Deputy Attorney General

By: 
Mary Patricia Keefe
Vice President and Assistant
Corporate Secretary

DEPARTMENT OF THE PUBLIC ADVOCATE
RONALD K. CHEN, PUBLIC ADVOCATE
DIVISION OF RATE COUNSEL
STEFANIE A. BRAND, DIRECTOR

By: 
Felicia Thomas-Friel
Deputy Public Advocate

DATED: November 25, 2009

Appendix A

For Settlement Purposes Only
November 16, 2009
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Elizabethtown Gas Base and Total Revenues at Present and Proposed Rates

Component	Amount	Units	Present Rates		Proposed Rates		
			Rate	Revenue	Rate	Revenue	Increase
			<u>RDS</u>		<u>RDS</u>		
<u>Residential Service</u>							
Customer Charge	3,026,052	Bills	\$ 7.05	\$ 21,333,667	\$ 7.47	\$ 22,604,608	
Distribution Charge (0-35 Therms)	76,957,867	Therms	0.3431	26,404,244	0.2867	22,063,820	
Distribution Charge (Over 35 Therms)	140,995,500	Therms	0.2495	35,178,377	0.2867	40,423,410	
Distribution Charge (Air Conditioning)	21,633	Therms	0.1397	3,022	0.1769	3,827	
Revenue Adjustment				(86,094)		(86,094)	
Total Base Revenues				\$ 82,833,216		\$ 85,009,572	2.63%
				Other Revenues		\$ 205,340,753	
				Total Class Revenues		\$ 290,350,325	0.8%
			<u>SGS</u>		<u>SGS</u>		
<u>Small General Service</u>							
Customer Charge	142,108	Bills	\$ 15.06	\$ 2,140,146	\$ 15.06	\$ 2,140,146	
Distribution Charge	10,657,000	Therms	0.2778	2,960,515	0.2904	3,094,793	
Distribution Charge (Air Conditioning)	0	Therms	0.1050	-	0.1176	-	
Total Base Revenues				\$ 5,100,661		\$ 5,234,939	2.63%
				Other Revenues		\$ 10,207,505	
				Total Class Revenues		\$ 15,442,444	0.9%
			<u>GDS</u>		<u>GDS</u>		
<u>General Delivery Service</u>							
Customer Charge	106,353	Bills	\$ 15.06	\$ 1,601,676	\$ 18.65	\$ 1,983,483	
Demand Charge	11,803,745	Therms	0.756	8,923,631	0.756	8,923,631	
Distribution Charge	116,474,324	Therms	0.1822	21,221,622	0.1810	21,081,853	
Distribution Charge (Sm. A/C, Dist. Gen.)	0	Therms	0.1050	-	0.1038	-	
Distribution Charge (Lg. A/C, Dist. Gen.)	305	Therms	0.0406	12	0.0394	12	
Total Base Revenues				\$ 31,746,942		\$ 31,988,979	0.8%
				Other Revenues		\$ 45,835,714	
				Total Class Revenues		\$ 77,824,693	0.31%

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Elizabethtown Gas Base and Total Revenues at Present and Proposed Rates

Component	Amount	Units	Present Rates		Proposed Rates		
			Rate	Revenue	Rate	Revenue	Increase
			<u>TC</u>		<u>GDS</u>		
<u>Temperature Control</u>							
Customer Charge	36 Bills		\$ 15.06	\$ 542	\$ 18.65	\$ 671	
Demand Charge	13,178 Therms		0.318	4,190	0.756	9,961	
Distribution Charge	41,405 Therms		0.0516	2,136	0.1810	7,494	
Total Base Revenues				\$ 6,869		\$ 18,127	163.9%
Other Revenues				\$ 70,205		\$ 70,205	
Total Class Revenues				\$ 77,074		\$ 88,332	14.61%
			<u>MFS</u>		<u>GDS</u>		
<u>Multi-Family Service</u>							
Customer Charge	5,076 Bills		\$ 15.06	\$ 76,445	\$ 18.65	\$ 94,667	
Demand Charge	639,884 Therms		0.756	483,752	0.756	483,752	
Distribution Charge	6,736,800 Therms		0.1515	1,020,625	0.1810	1,219,361	
Distribution Charge (Lg. A/C, Dist. Gen.)	0 Therms		0.0406	-	0.0394	-	
Total Base Revenues				\$ 1,580,822		\$ 1,797,781	13.7%
Other Revenues				\$ 6,438,322		\$ 6,438,322	
Total Class Revenues				\$ 8,019,144		\$ 8,236,103	2.71%
			<u>EGF</u>		<u>EGF</u>		
<u>Electric Generation Firm Service</u>							
Customer Charge	60 Bills		\$ 34.10	\$ 2,046	\$ 52.27	\$ 3,136	
Demand Charge	50,040 Therms		0.740	37,030	0.740	37,030	
Distribution Charge	345,968 Therms		0.0069	2,387	0.0069	2,387	
Total Base Revenues				\$ 41,463		\$ 42,553	2.63%
Other Revenues				\$ 457,913		\$ 457,913	
Total Class Revenues				\$ 499,376		\$ 500,466	0.2%

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Elizabethtown Gas Base and Total Revenues at Present and Proposed Rates

Component	Amount	Units	Present Rates		Proposed Rates		
			Rate	Revenue	Rate	Revenue	Increase
<u>Large Volume Demand</u>			<u>LVD</u>		<u>LVD</u>		
Customer Charge	0 Bills		\$ 443.21	\$ -	\$ 449.44	\$ -	
Demand Charge	0 Therms		0.966	-	0.966	-	
Distribution Charge	0 Therms		0.0348	-	0.0348	-	
Total Base Revenues				<u>\$ -</u>		<u>\$ -</u>	
<u>Firm Transportation Service</u>			<u>FTS</u>		<u>FTS</u>		
Customer Charge	522 Bills		\$ 64.59	\$ 33,716	\$ 174.82	\$ 91,256	
Demand Charge	2,891,904 Therms		0.756	2,186,279	0.756	2,186,279	
Distribution Charge	32,038,468 Therms		0.0585	1,874,250	0.0585	1,874,250	
Total Base Revenues				<u>\$ 4,094,246</u>		<u>\$ 4,151,786</u>	1.4%
	Other Revenues			<u>\$ 561,881</u>		<u>\$ 561,881</u>	
	Total Class Revenues			<u>\$ 4,656,127</u>		<u>\$ 4,713,667</u>	1.24%
<u>Gas Lights Service</u>			<u>GLS</u>		<u>GLS</u>		
Service Charge	2,188 Mantles		\$ 5.45	\$ 11,925	\$ 5.53	\$ 12,100	
Distribution Charge	31,939 Therms		-	-	-	-	
Total Base Revenues				<u>\$ 11,925</u>		<u>\$ 12,100</u>	1.5%
	Other Revenues			<u>\$ 32,269</u>		<u>\$ 32,269</u>	
	Total Class Revenues			<u>\$ 44,194</u>		<u>\$ 44,369</u>	0.40%
Total Firm Base Revenues				<u>\$ 125,416,143</u>		<u>\$ 128,255,836</u>	2.3%

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Elizabethtown Gas Base and Total Revenues at Present and Proposed Rates

Component	Amount	Units	Present Rates		Proposed Rates		
			Rate	Revenue	Rate	Revenue	Increase
<u>Interruptible Sales Service</u>							
			IS		IS		
Service Charge	24 Bills		\$ 322.53	\$ 7,741	\$ 333.13	\$ 7,995	
Demand Charge	136,296		0.0760	\$ 10,358	0.0760	\$ 10,358	
Distribution Charge	0 Therms			-		-	
Total Base Revenues				\$ 18,099		\$ 18,354	1.41%
<hr/>							
<u>Interruptible Cogeneration Sales Service</u>							
			IS-CSI		IS-CSI		
Service Charge	12 Bills		\$ 99.80	\$ 1,198	\$ 101.20	\$ 1,214	
Demand Charge	0			-		-	
Distribution Charge	0 Therms			-		-	
Total Base Revenues				\$ 1,198		\$ 1,214	1.40%
<hr/>							
<u>Interruptible Transportation Service</u>							
			ITS-IS		ITS-IS		
Service Charge	206 Bills		\$ 503.96	\$ 103,816	\$ 589.50	\$ 121,437	
Demand Charge	522,468		0.0760	\$ 39,708	0.0760	\$ 39,708	
Distribution Charge	0 Therms			-		-	
Total Base Revenues				\$ 143,523		\$ 161,145	12.28%
<hr/>							
<u>Interruptible Cogeneration Transportation Service</u>							
			ITS-CSI		ITS-CSI		
Service Charge	0 Bills		\$ 503.96	\$ -	\$ 589.50	\$ -	
Demand Charge	0			-		-	
Distribution Charge	0 Therms			-		-	
Total Base Revenues				\$ -		\$ -	

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Elizabethtown Gas Base and Total Revenues at Present and Proposed Rates

Component	Amount	Units	Present Rates		Proposed Rates		
			Rate	Revenue	Rate	Revenue	Increase
<u>ITS-LVD</u>							
<u>Interruptible LVD Sales Service</u>							
Service Charge	496 Bills		\$ 503.96	\$ 249,964	\$ 589.50	\$ 292,392	
Demand Charge	5,147,520 Therms		0.293	\$ 1,508,223	0.293	\$ 1,508,223	
Distribution Charge	31,557,205 Therms		0.0791	\$ 2,496,175	0.0791	\$ 2,496,175	
Special Contract Revenues	Therms			<u>1,592,830</u>		<u>1,592,830</u>	
Total Base Revenues				\$ 5,847,192		\$ 5,889,620	0.73%

Total Interruptible Base Revenues \$ 6,010,013 \$ 6,070,333 1.00%

TOTAL SYSTEM BASE DISTRIBUTION REVENUES \$ 131,426,155 \$ 134,326,169 2.21%

Other Revenues

Special Contracts	\$ 977,081	\$ 977,081
Service Charges	<u>2,576,469</u>	<u>2,576,469</u>
Total Other Revenues	\$ 3,553,550	\$ 3,553,550

TOTAL SYSTEM INCLUDING OTHER REVENUES \$ 134,979,706 \$ 137,879,719 2.15%

INCREASE	2,900,014
TARGET INCREASE	<u>2,900,000</u>
Difference	\$14

Recap by Rate Class	Existing Base		Base Revenue	
	Revenues	%	Increase	%
Residential	\$ 82,833,216	63.0%	\$2,176,355	75.0%
Small General Service	5,100,661	3.9%	134,278	4.6%
General Delivery Service	33,334,632	25.4%	470,254	16.2%
Electric Generation	41,463	0.0%	1,090	0.0%
Firm Transportation	4,094,246	3.1%	57,540	2.0%
Gas Lights	11,925	0.0%	175	0.0%
Interruptible	<u>6,010,013</u>	<u>4.6%</u>	<u>60,320</u>	<u>2.1%</u>
Total	\$ 131,426,155	100.0%	\$2,900,014	100.0%

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS
 Bill Comparisons
 \$2,900,000 Revenue Increase

Usage Therms	11/1/2009 Present Rates / Bill	11/16/2009 Proposed Rates / Bill	Increase / (Decrease)	Percent Change
Residential Distribution Service (RDS)				
Service Charge	\$7.55	\$8.00		
Distribution Charge, per Therm				
First 35 Therms	\$0.3679	\$0.3074		
Over 35 Therms	\$0.2675	\$0.3074		
Riders, per Therm *	\$0.8619	\$0.8619		
	10	\$19.85	\$19.69	(\$0.16) (0.8%)
	15	\$26.00	\$25.54	(\$0.46) (1.8%)
	25	\$38.30	\$37.23	(\$1.06) (2.8%)
	50	\$67.53	\$66.47	(\$1.07) (1.6%)
	100	\$124.00	\$124.93	\$0.93 0.7%
	150	\$180.47	\$183.40	\$2.92 1.6%
	200	\$236.94	\$241.86	\$4.92 2.1%
Annual Bill	1,000	\$1,257.45	\$1,265.30	\$7.85 0.6%

Small General Service (SGS)

Service Charge	\$16.15	\$16.15		
Distribution Charge, per Therm	\$0.2978	\$0.3114		
Riders, per Therm	\$0.8626	\$0.8598		
	10	\$27.75	\$27.86	\$0.11 0.4%
	15	\$33.56	\$33.72	\$0.16 0.5%
	25	\$45.16	\$45.43	\$0.27 0.6%
	50	\$74.17	\$74.71	\$0.54 0.7%
	100	\$132.19	\$133.27	\$1.08 0.8%
	150	\$190.21	\$191.83	\$1.62 0.9%
	200	\$248.23	\$250.39	\$2.16 0.9%

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS
 Bill Comparisons
 \$2,900,000 Revenue Increase

Usage Therms	11/1/2009 Present Rates / Bill	11/16/2009 Proposed Rates / Bill	Increase / (Decrease)	Percent Change
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General Delivery General Service (GDS)

Service Charge	\$16.15	\$20.00		
Demand Charge per Therm	\$0.810	\$0.811		
Distribution Charge, per Therm	\$0.1954	\$0.1941		
Riders, per Therm	\$0.7442	\$0.7414		
<u>DCQ</u>	<u>Therms</u>			
15	300	\$310.18	\$312.82	\$2.64 0.8%
20	400	\$408.19	\$410.42	\$2.23 0.5%
25	500	\$506.20	\$508.03	\$1.82 0.4%
50	1,000	\$996.25	\$996.05	(\$0.20) (0.0%)
149	3,000	\$2,955.64	\$2,947.34	(\$8.30) (0.3%)
249	5,000	\$4,915.84	\$4,899.44	(\$16.40) (0.3%)
498	10,000	\$9,815.53	\$9,778.88	(\$36.65) (0.4%)
Demand Charge at 66.0% Load Profile				

Multi Family Service (MFS)

Service Charge	\$16.15	\$20.00		
Demand Charge per Therm	\$0.810	\$0.811		
Distribution Charge, per Therm	\$0.1624	\$0.1941		
Riders, per Therm	\$0.8626	\$0.7414		
<u>DCQ</u>	<u>Therms</u>			
15	300	\$335.80	\$312.82	(\$22.99) (6.8%)
20	400	\$442.35	\$410.42	(\$31.93) (7.2%)
25	500	\$548.90	\$508.03	(\$40.88) (7.4%)
50	1,000	\$1,081.65	\$996.05	(\$85.60) (7.9%)
149	3,000	\$3,211.84	\$2,947.34	(\$264.50) (8.2%)
249	5,000	\$5,342.84	\$4,899.44	(\$443.40) (8.3%)
498	10,000	\$10,669.53	\$9,778.88	(\$890.65) (8.3%)
Demand Charge at 66.0% Load Profile				

FERC Account	Life	Iowa Curve	Settlement	
			5-Year Average Net Salvage	Whole Life Rate
Organizational Expense	30100			0.00%
Franchise & Consents	30200			0.00%
Land	30400	65	SQ	0.00
Land Rights	30410			1.54%
Structures and Improvements	30500			0.00%
Liquefied Petro Gas Equipment	31110			0.00%
Intangible Plant				
Other Equipment	32000	15	O3	0.00
				6.67%
Production-Extraction Plant				
Land	36000			0.00%
Structures & Improvements - Nat	36100	45	S4	0.00
				2.22%
Gas Holders - Natural	36200	45	S4	-4.45
				2.32%
Gas Holders - LNG	36210	45	S4	-3.55
				2.30%
Vaporizing Equipment	36320	35	S3	-1.47
				2.90%
Compressor Equipment	36340	35	S3	-2.00
				2.91%
Storage Plant				
Rights of way	36520	65	SQ	0.00
				1.54%
Mains	36700	55	R3	-1.02
				1.84%
Measuring & Regulating Equipme	36900	25	SQ	0.00
				4.00%
Other Equipment	37100			0.00%
Transmission Plant				
Land	37400			0.00%
Land rights	37410	65	SQ	0.00
				1.54%
Structures and Improvement	37500	25	L1.5	0.00
				4.00%
Mains	37600	67	O1	-0.44
				1.50% 1/
Measuring & Regulating Station I	37800	35	S2	-9.31
				3.12%
Measuring & Regulating Station I	37900	33	S-.5	0.00
				3.03%
Services	38000	50	L3	-9.21
				2.23% 1/
Meters	38100	35	S2	0.00
				3.30% 1/
Meter Installation	38200	45	R5	0.00
				2.22%
House Regulators	38300	37	R5	0.00
				2.70%
House Regulator Installations	38400	37	R5	0.00
				2.70%
Industrial Measuring & Regulatin	38500	30	R5	0.00
				3.33%
Meter Installations	38520			0.00%
Other Distribution Equipment	38700	25	SQ	0.00
				4.00%
Distribution Plant				
Land Rights	38900			0.00%
Structures & Improvements	39000	40	R5	0.00
				2.50%
Computer Equipment and Softwa	39110	5	SQ	0.00
				20.00%
Enterprise Systems	39120	10	SQ	0.00
				10.00%
Office Furniture & Equipment	39140	20	SQ	0.00
				5.00%
Automotive	39210	7	SC	3.89
				13.73%
Trucks-To 3/4 Ton	39220	9	L1	3.30
				10.74%
Trucks-Over 3/4 Ton	39230	11	R2.5	2.97
				8.82%
Stores Equipment	39300	25	SQ	0.00
				5.00%
Tools, Shop, & Garage Equipme	39400	20	SQ	0.00
				5.00%
Laboratory Equipment	39500	20	SQ	0.00
				5.00%
Tractors	39610	25	SQ	0.00
				4.00%
Compressors	39620	13	R4	0.00
				7.69%
Communication Equipment	39700	20	SQ	0.00
				5.00%
Miscellaneous Equipment	39800	20	SQ	0.00
				5.00%
General Plant				

1/ Depreciation rates for accounts 376, 380 and 381 adjusted to reflect \$713,620 of amortization of amounts reflected in Elizabethtown Gas Company's Reserve for Depreciation for Cost of Removal (non-legal asset retirement obligation)

APPENDIX D

CUSTOMER SERVICE STANDARDS

The Company will submit to Rate Counsel and BPU Staff a quarterly report providing the results of the Company's monthly performance in relation to the following metrics:

1. Call Center

(A) Average Speed of Answer (ASA)

Measure: ASA

Until June 30, 2010:

Benchmark: 80% of calls answered within 60
seconds

After June 30, 2010:

Benchmark: 80% of calls answered within 30
seconds

Definition: Measured in seconds from time when a customer indicates the desire to speak to a representative to when the representative picks up the phone. Includes abandoned calls.

(B) Abandoned Call Percentage (ACP)

Measure: ACP

Benchmark: 5% or less of calls abandoned

Definition: The number of calls to the IVR system that are terminated by the caller before reaching the selected destination, whether a department or a representative.

2. Meter Reading and Billing

(A) Meter Reading

Measure: Percentage of meters read

Benchmark: 95% of meters read

Definition: The percentage of meters actually read on cycle.

(B) Billing

Measure: Billing Accuracy

Benchmark: 20 or fewer rebills per 1,000 customers

Definition: The number of rebills per 1,000 customers measured as all bills mailed to customers that are later adjusted, cancelled or re-issued for any amount or reason.

3. Safety and Reliability

(A) Safety

Measure: Leak Response Time

Benchmark: 95% of calls responded to within 60 minutes

Definition: Leak, odor and emergency call response measured from the initial customer call to the time qualified personnel arrive at the location to either assess or implement a "make safe" condition.

Exception reporting: Provide a quarterly report to the BPU for all calls that are not responded to within 60 minutes, giving the reasons for the delay.

(B) Reliability

Measure: Percentage of service appointments met

Benchmark: 95% + of service appointments met

Definition: The percentage of appointments completed on the day scheduled. Includes appointments for meter installations, disconnects and reconnects, billing investigations, initial and final meter reads. Excludes regularly scheduled meter reads, gas leaks/emergencies/outages, and appointments missed by the customer.

4. Overall Customer Service and Satisfaction

(A) BPU Complaints

Measure: Customer complaints/contacts to the BPU

Benchmark: Less than 1 complaint/contact per 1,000 customers annually

Definition: The number of verbal or written complaints/contacts made to the BPU, not including complaints to ETG, which are measured as an annual average number of complaints per 1,000 customers. The Company also shall report BPU complaints by root cause category, such as billing, collection, etc.

(B) Customer Satisfaction with Telephone and Field Personnel

Measure: Customer satisfaction with telephone and field personnel

Benchmark: N/A

Definition: Quarterly Polaris survey of customers that have contacted the Company and spoken with a representative.