

Agenda Date: 9/13/12 Agenda Item: 2K

ENERGY

STATE OF NEW JERSEY

Board of Public Utilities 44 South Clinton Avenue, 9th Floor Post Office Box 350 Trenton, New Jersey 08625-0350 www.nj.gov/bpu/

| IN THE MATTER OF THE PETITION OF PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS TO REVIEW ITS PERIODIC BASIC GAS SUPPLY SERVICE RATE |)))) | DECISION AND ORDER APPROVING STIPULATION FOR PROVISIONAL BGSS-F RATES |
|--|------------------|--|
| | í | DOCKET NO. GR12060474 |

Parties of Record:

Mary Patricia Keefe, Esq., Vice President Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas for the Petitioner
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

BACKGROUND

Per the generic Order of the Board of Public Utilities ("Board" or "BPU") dated January 6, 2003 in Docket No GX01050304 ("January BGSS Order"), each of New Jersey's four gas distribution companies ("GDCs"), by June 1 submits to the Board its annual Basic Gas Supply Service ("BGSS") gas cost filing for the BGSS year beginning October 1. In addition, the January BGSS Order authorizes, each GDC to self-implement up to a 5% BGSS increase effective December 1 and February 1, with one month's advance notice to the Board and the New Jersey Division of Rate Counsel ("Rate Counsel"). Each GDC may implement a decrease in its BGSS-P rates at any time, without prior Board approval after notice to the Board and Rate Counsel.

In accordance with the January BGSS Order, Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas Company ("Elizabethtown" or "Company"), filed a petition with the Board on June 1, 2012 seeking to decrease its Periodic Basic Gas Supply Service ("BGSS-P") rate from \$0.6924 per therm to \$0.6663 per therm inclusive of all applicable taxes effective as of October 1, 2012. The estimated projected impact of the proposal would be a decrease in the gas cost revenues of Elizabethtown by approximately \$5.5 million before taxes and assessments or \$5.8 million inclusive of taxes and assessments in the BGSS year beginning on October 1, 2012 and ending on September 30, 2013. The proposed rate is designed to bring the BGSS underrecovery balance to approximately zero as of September 30, 2013.

Based on the proposed BGSS rate change, the monthly bill of a typical residential heating customer using 100 therms would be reduced by \$2.61 from \$115.75 to \$113.14 or by 2.3%. Based on the Company's current volume forecast, under the current rate of \$0.6924 per therm, Elizabethtown would collect approximately \$144.2 million in BGSS related revenues before taxes and assessments or \$154.6 million in BGSS related revenues inclusive of taxes and assessments. Under the proposed rate of \$0.6663 per therm using that same volume forecast, the Company would collect approximately \$138.7 million before taxes and assessment or \$148.8 million inclusive of taxes and assessments.

After publication of notices in newspapers in general circulation in the Company's service territory, public hearings were held in Rahway, New Jersey and Flemington, New Jersey on August 15, 2012 and August 22, 2012 respectively. No members of the public attended at either of the hearings.

Stipulation for Provisional BGSS Rates¹

Following a review by, and subsequent discussions among the Company, Board Staff and Rate Counsel the only parties to this proceeding (collectively, the "Parties"), determined that pending the conclusion of any further review and discussions among the Parties and a final determination by the Board, and pursuant to N.J.S.A. 48:2-21.1, it would be both reasonable and in the public interest for the Board to authorize Elizabethtown Gas to decrease its BGSS-P rate to \$0.6663 per therm inclusive of all applicable taxes, subject to refund with interest on any net over-recovered BGSS balance. The Parties signed a Stipulation for Provisional BGSS Rates on August 29, 2012 ("Stipulation"). A final rate will be implemented after an opportunity for a full review of the Company's filing in this proceeding at the Office of Administrative Law.

The stipulated change results in a bill decrease from the BGSS-P rate currently in effect of approximately 2.3%, or \$2.61 per month, for a typical residential heating customer using 100 therms per month. Typical residential heating customers using 1000 therms annually would see a decrease in their gas bills of \$26.10 from \$692.40 to \$666.30.

The Parties agree that implementation of the agreed upon BGSS-P rate should be effective as close to October 1, 2012 as reasonably possible.

Elizabethtown also seeks to implement provisional increases in its BGSS-P rate of up to 5% to be effective December 1, 2012 and February 1, 2013, if it is determined that such increases are necessary to permit them to avoid a BGSS under recovery balance on September 1, 2013.

Elizabethtown will continue to provide electronically to the Parties the following information on a monthly basis: the BGSS NYMEX Update Report and a monthly report showing the calculation of net gas per therm.

DISCUSSION AND FINDING

The Board has carefully reviewed the record to date in this proceeding and the attached Stipulation. The Board FINDS that, subject to the terms and conditions set forth below, the

¹ Although summarized in this Order, the detailed terms of the stipulation control, subject to the findings and conclusions of this Order.

Stipulation is reasonable, in the public interest, and in accordance with the law. Accordingly, the Board <u>HEREBY ADOPTS</u> the Stipulation as its own, as if fully set forth herein, and <u>HEREBY APPROVES</u> on a provisional basis, subject to refund with interest on any over-recovered BGSS balance, the Company's implementation of a decrease in its BGSS-P rate to \$0.6663 per therm inclusive of all applicable taxes, effective for service rendered as close to October 1, 2012 as reasonable.

The Board <u>HEREBY DIRECTS</u> Elizabethtown to continue to provide electronically to Board Staff and Rate Counsel, on a monthly basis, the following update information: 1) the BGSS NYMEX Update Report (also known as S-ECHART-1) attached hereto as Exhibit B; and 2) a monthly report of showing the Cost of Gas per therm (also known as S-ECHART-2) attached hereto as Exhibit C. Each of the above reports is to be completed using information available the first Friday of the month, and submitted to Board Staff and Rate Counsel the following Tuesday. Exhibit C is to be submitted to the Parties on approximately the 15th of the following month.

The Board <u>HEREBY DIRECTS</u> the Company to file tariff sheets in the form attached as Exhibit A to the Stipulation within five (5) days of the service of this Order.

The Board <u>HEREBY DIRECTS</u> that this matter be transmitted to the Office of Administrative Law for review and evidentiary hearings, if necessary.

The Company's gas costs will remain subject to audit by the Board. This Decision and Order shall not preclude the Board from taking any actions deemed to be appropriate as a result of any such audit.

ROBERT M. HANNA

PRESIDENT

DATED: 9/13/12

BOARD OF PUBLIC UTILITIES

BY:

ME

COMMISSIONER

JOSEPH L. FIORDALISO

COMMISSIONER

NICHOLAS ASSELTA

COMMISSIONER

ARY ANNA HOLDEN

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 I Mittles 1

In the Matter of the Petition of Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas To Review its Periodic Basic Gas Supply Service Rate DOCKET NO.GR12060474

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August 30, 2012

Honorable Kristi Izzo, Secretary State of New Jersey Board of Public Utilities 44 South Clinton Avenue, 9th Floor Post Office Box 350 Trenton, New Jersey 08625-0350

> Re: In The Matter Of The Petition Of Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas To Review Its Periodic Basic Gas Supply

Service Rate, BPU Docket No. GR12060474

Dear Secretary Izzo:

Enclosed for filing in the above proceeding are an original and ten copies of a Stipulation For Provisional Rates executed by representatives of Pivotal Utility Holdings Inc. d/b/a Elizabethtown Gas ("Elizabethtown"), the Staff of the Board of Public Utilities and the Department of the Public Advocate, Division of Rate Counsel. Elizabethtown requests that the Board consider and adopt the Stipulation as expeditiously as possible.

Please contact the undersigned if you have questions or require further information. Thank you.

Genneth T. Malony / 1

Counsel For Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas

cc: Attached Service List

FOUNDED 1850

IN THE MATTER OF THE PETITION OF PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS TO REVIEW ITS PERIODIC BASIC GAS SUPPLY SERVICE RATE BPU DOCKET NO. GR12060474

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IN THE MATTER OF THE PETITION OF PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS TO REVIEW ITS PERIODIC BASIC GAS SUPPLY SERVICE RATE BPU DOCKET NO. GR12060474

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STATE OF NEW JERSEY BOARD OF PUBLIC UTILITIES

In The Matter Of The Petition Of Pivotal Utility:

BPU Docket No. GR12060474

Holdings, Inc. d/b/a Elizabethtown Gas To Review Its Periodic Basic Gas Supply

STIPULATION FOR

Service Rate

PROVISIONAL BGSS RATES

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, Vice President for Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas

Felicia Thomas-Friel, Managing Attorney Gas, Division of Rate Counsel, Sarah H. Steindel, Esq. and Christine Juarez, Esq., Assistant Deputy Rate Counsels, Division of Rate Counsel (Stefanie A. Brand, Director, Division of Rate Counsel)

Alex Moreau and Marisa Slaten, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (Jeffrey S. Chiesa, Attorney General of New Jersey)

- 1. On June 1, 2012, Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas, ("Elizabethtown" or "Company") filed a Petition ("June 1 Petition") with the New Jersey Board of Public Utilities ("Board" or "BPU") in BPU Docket No. GR11060330 to revise its Periodic Basic Gas Supply Service ("BGSS-P") rates for the period October 1, 2012 through September 30, 2013.
- 2. In its June 1 Petition, Elizabethtown proposed to decrease its current BGSS-P rate from \$0.6924 per therm inclusive of all applicable taxes to \$0.6663 per therm inclusive of all applicable taxes to become effective October 1, 2012. The estimated underrecovery balance as of September 30, 2012 amounts to approximately \$9.9 million. The proposed rate of \$0.6663 per therm is designed to bring the BGSS balance to approximately zero as of September 30, 2013. The rate proposed would decrease the monthly bill of a typical residential heating customer using 100 therms by \$2.61 from \$115.75 to \$113.14, a decrease of 2.3%. The projected impact of the proposed

rate change is a decrease in gas cost recoveries of approximately \$5.5 million before taxes and assessments or \$5.8 million inclusive of taxes and assessments in the year ending September 30, 2013 than would otherwise be recovered by Elizabethtown under the current BGSS-P rate. Based on the Company's current volume forecast, under the current rate of \$0.6924 per therm, Elizabethtown would collect approximately \$144.2 million before taxes and assessments or \$154.6 million inclusive of taxes and assessments. Based on the Company's current volume forecast, under the proposed rate of \$0.6663 per therm, Elizabethtown would collect approximately \$138.7 million before taxes and assessments or \$148.8 million inclusive of taxes and assessments. Notices setting forth the requested rate change and the dates of the public hearings were placed in newspapers having circulation within Elizabethtown's service territory and served on the county executives and clerks of all municipalities within the Company's service territory. Public hearings concerning the Company's Petition were held in Rahway, New Jersey on August 15, 2012 and Flemington, New Jersey on August 22, 2012. No members of the public attended.

- 3. Elizabethtown, the Board's Staff and the Division of Rate Counsel ("Rate Counsel") are the only parties to this proceeding (collectively "the Parties"). The Parties agree that additional time is needed to complete a comprehensive review of the Company's filing and that provisional BGSS rates, subject to refund with interest on any net-overrecovered BGSS balance, are reasonable to provide customers with the benefit of the rate decrease proposed in the June 1 Petition, while permitting Elizabethtown to timely collect BGSS costs while additional review of the Company's filing takes place.
- 4. The Parties have determined and hereby **STIPULATE AND AGREE** that, pending the conclusion of any further review and discussions among the Parties and a final determination by the Board, and pursuant to <u>N.J.S.A.</u> 48:2-21.1, it would be both reasonable and in the public interest

for the Board to authorize Elizabethtown to decrease its BGSS-P rate to \$0.6663 per therm inclusive of all applicable taxes. This authorization will be implemented on a provisional basis, subject to refund with interest on any net BGSS overrecoveries. A final rate will be implemented after an opportunity for a full review of the Company's filing in this proceeding at the Office of Administrative Law, if necessary, and final Board approval. The stipulated change results in a bill decrease from the BGSS-P rate currently in effect of approximately 2.3%, or \$2.61 per month, for a typical residential heating customer using 100 therms per month. The stipulated change results in a bill decrease from the BGSS-P rate currently in effect of approximately 2.2%, or \$26.10 annually for a typical residential heating customer using 1,000 therms per year. The stipulated decrease is projected to lower the Company's BGSS gas cost recoveries by approximately \$5.5 million in the year ending September 30, 2013. The Parties request that the Board issue an order authorizing the provisional rates effective as close to October 1, 2012 as reasonably possible. The Company may seek to implement provisional increases in its BGSS-P rate of up to 5% to be effective December 1, 2012 and February 1, 2013, in accordance with the procedures specified in the Board's generic order in BPU Docket No. GX01050304, if the Company determines that such increases are necessary to permit it to avoid a BGSS underrecovery balance at September 1, 2013.

- 5. The Company will submit tariff sheets in the form attached as Exhibit A in compliance with the provisional rates within five (5) days of the effective date of the Board's Order approving these rates.
- 6. The Company agrees to continue to provide electronically to the Parties in this proceeding, on a monthly basis, the following updated information: 1) the BGSS NYMEX update report (also known as S-E Chart-1) attached hereto as Exhibit B; and 2) a monthly report showing the calculation of net gas per therm (also known as S-E Chart-2) attached hereto as Exhibit C.

The chart reflected as Exhibit B is to be completed using information from the first Friday of the month and submitted to the Parties the following Tuesday. The chart reflected on Exhibit C is to be submitted to the Parties on approximately the 15th of the following month.

- 7. This Stipulation represents a mutual balancing of interests and, therefore, is intended to be accepted and approved in its entirety. In the event that the Board does not adopt this Stipulation in its entirety in an Order, then any Party hereto is free to pursue its then available legal remedies with respect to all issues in this Stipulation as though this Stipulation had not been signed.
- 8. It is the intent of the Parties that the provisions hereof be approved by the Board, as appropriate, as being in the public interest. The Parties further agree that they consider the Stipulation to be binding on them for all purposes herein.
- 9. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of this proceeding. Except as expressly provided herein, Elizabethtown, Board Staff, or 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.
- 10. The Parties further acknowledge that a Board Order approving this Stipulation will become effective upon the service of said Board Order, or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.

WHEREFORE, the Parties hereto do respectfully submit this Stipulation to the Board of Public Utilities and request the Board to issue a Decision and Order approving this Stipulation in its entirety in accordance with the terms hereof.

PIVOTAL UTILITY HOLDINGS, INC. D/B/A ELIZABETHTOWN GAS

STEFANIE A. BRAND DIRECTOR, DIVISION OF RATE COUNSEL

By:

Man Patrucia Vaefe (Kom)

Mary Patricia Keefe

Vice President, Regulatory Affairs and Assistant Corporate Secretary By Sach H. S

Sarah H. Steindel

Assistant Deputy Rate Counsel

JEFFREY S. CHIESA

ATTORNEY GENERAL OF NEW JERSEY

Attorney for the Staff of the New Jersey Board of Public Utilities

By:

Marisa Slaten, DAG

Dated: August 29, 2012

RIDER "A" BASIC GAS SUPPLY SERVICE CHARGE ("BGSS")

This Rider sets forth the method of determining the BGSS which shall be calculated to four (4) decimal places on a per therm basis established in accordance with the Board Order in Docket No. GX01050304 dated January 6, 2003. The BGSS charge is either BGSS-Monthly ("BGSS-M") or BGSS-Periodic ("BGSS-P") and will be applied to a Customer's Service Classification as follows:

- The BGSS-M shall be applicable to all GDS, LVD, and EGF customers receiving gas supply from the Company effective on the first of each month as determined below.
- 2. The BGSS-P shall be applicable to all RDS, SGS, and GLS customers receiving gas supply from the Company.

The BGSS Charge, as defined herein, is designed to recover the cost to the Company of purchased gas or fuel used as a substitute for or supplemental to purchased gas including the cost of storing or transporting said gases or fuel, the cost of financial instruments employed to stabilize gas costs, other charges or credits as may result from the operation of other tariff provisions, and taxes and assessments in connection with the purchase and sale of gas.

BGSS per therm rates:

| | BGSS-M | BGSS-P |
|--|-----------|-----------|
| Effective Date | per therm | per therm |
| August 1, 2011 | \$0.6913 | \$0.8031 |
| September 1, 2011 | \$0.6340 | \$0,8031 |
| October 1, 2011 | \$0.6310 | \$0.6924 |
| November 1, 2011 | \$0.6047 | \$0.6924 |
| December 1, 2011 | \$0.5868 | \$0.6924 |
| January 1, 2012 | \$0.5554 | \$0,6924 |
| February 1, 2012 | \$0.5101 | \$0.6924 |
| February 11, 2012 | \$0.5101 | \$0.6249 |
| March 1, 2012 | \$0.4842 | \$0.6249 |
| March 12, 2012 | \$0.4842 | \$0.6924 |
| April 1, 2012 | \$0.4557 | \$0.6924 |
| May 1, 2012 | \$0.4385 | \$0,6924 |
| June 1, 2012 | \$0.4808 | \$0.6924 |
| July 1, 2012 | * | \$0,6924 |
| August 1, 2012 | * | \$0.6924 |
| September 1, 2012 | * | \$0.6924 |
| October 1, 2012 (Proposed BGSS-P rate) | * | \$0.6663 |

*To be determined

Date of Issue: May 23, 2012

Issued by:

Jodi Gidley

Sr. Vice President, Mid-Atlantic Operations

300 Connell Drive, Suite 3000 Berkeley Heights, New Jersey 07922 Effective: Service Rendered on and after May 23, 2012
*Provisional Approved as Final

Filed Pursuant to Order of the Board of Public Utilities Dated May 1, 2012 in Docket No. GR11060330

Exhibit B

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

BGSS NYMEX Update Report as of August 03, 2012 S-ECHART-1

| | | 8 0 | 5 | q | - | e-q=o | | Q | Ф | f=d-0 | g=cxf |
|--------------|----------------|------------------|----------------|-------|---------------|---------|--------|-----------------|---------------|---------------|----------------|
| ; | | מפת | Z | YMEX | | Incr/ | | Sales | Hedged | Unhedged | Change in |
| Month | 99. | (see note below) | 02/2/8) | 왘 | • | (Decr) | % Cha | forecast (dths) | volume (dths) | volume (dths) | value unhedged |
| <u>-</u> : | 4 | 4.4 | ß | 3.739 | Ð | (0.654) | | 1,543,066 | 736,200 | 806,866 | (\$527,690) |
| Nov-11 | 67 | 4.577 | 43 | 3.524 | ₩ | (1.053) | | 2,549,426 | 1,519,307 | 1.030,119 | (\$1 084 715) |
| Dec-11 | 63 | 4.792 | 59 | 3.364 | () | (1.428) | | 4,508,509 | 3,162,715 | 1.345.794 | (\$1.921.794) |
| Jan-12 | U) | 4.908 | 43 | 3.084 | 69 | (1.824) | | 5,111,385 | 3.571.472 | 1 539 913 | (\$2.808.801) |
| Feb-12 | ₩ | 4.897 | 64) | 2.678 | ₩ | (2.219) | | 4.177.973 | 2.893.420 | 1 284 553 | (#2 850 A23) |
| Mar-12 | s | 4.837 | 69 | 2.446 | ь | (2.391) | | 3,051,453 | 1.857.722 | 1 193 731 | (\$2.854.210) |
| Apr-12 | (/) | 4.707 | 64 | 2.191 | 69 | (2.516) | | 1,378,856 | 782.646 | 598 210 | (\$1.500.085) |
| May-12 | 69 | 4.730 | 69 | 2.036 | ↔ | (2.694) | | 827,729 | 427,100 | 400.629 | (\$1,079,295) |
| Jun-12 | 44 | 4.769 | 69 | 2.429 | 64 | (2.340) | | 458,476 | 297,100 | 161,376 | (\$377,620) |
| Jul-12 | 4 | 4.814 | 69 | 2.774 | 69 | (2.040) | | 587,128 | 297,100 | 290.028 | (\$591,657) |
| Aug-12 | 69 | 4.839 | 59 | 3.010 | ₩ | (1.829) | | 576,515 | 327,100 | 249,415 | (\$456,180) |
| Sep-12 | \$ | 4.848 | မာ | 2.877 | ↔ | (1.971) | ; | 652,603 | 397,100 | 255,503 | (\$503,596) |
| Avg Total \$ | 45 | 4.761 | 69 | 2.848 | 69 | (1.913) | -40.2% | 25,423,119 | 16,268,982 | 9,154,137 | (\$16,556,047) |
| | | | | | | | | | | | |
| Oct-12 | s, | 4.900 | ₩ | 2.885 | w | (2.015) | | 1,568,335 | 747,100 | 821,235 | (\$1,654,789) |
| Nov-12 | ₩ | 5.058 | 69 | 3.022 | ↔ | (2.036) | | 2,589,020 | 1,505,407 | 1,083,613 | (\$2,206,237) |
| Dec-12 | ↔ | 5.280 | 69 | 3.277 | ₩ | (2.003) | | 4,578,636 | 3,149,764 | 1,428,872 | (\$2.862,030) |
| Jan-13 | w | 5.409 | (A | 3.409 | ₩ | (2.000) | | 5,192,152 | 3,869,187 | 1,322,965 | (\$2,645,931) |
| Feb-13 | ¥Ŧ | 5.373 | ⊌ | 3.423 | 63 | (1.950) | | 4,242,199 | 3,084,227 | 1,157,972 | (\$2,258,046) |
| Mar-13 | ₩ | 5.301 | 6 | 3.401 | ь | (1.900) | | 3,098,332 | 2,147,382 | 950,950 | (\$1,806,805) |
| Apr-13 | 49 | 5.078 | (/) | 3.382 | ₩ | (1.696) | | 1,401,850 | 660,555 | 741,295 | (\$1,257,236) |
| May-13 | w | 5.092 | ŧ⁄≯ | 3.410 | ₩ | (1.682) | | 841,667 | 359,500 | 482,167 | (\$811,005) |
| Jun-13 | ↔ | 5.126 | ₩ | 3.462 | ø | (1.674) | | 468,661 | 179,500 | 289,161 | (\$484,056) |
| Jul-13 | 69 | 5.168 | ₩ | 3.497 | ø | (1.671) | | 597,852 | 249,500 | 348,352 | (\$582,096) |
| Aug-13 | ₩ | 5.197 | ₩ | 3.520 | 69 | (1.677) | | 588,505 | 314,800 | 273,705 | (\$459,003) |
| Sep-13 | 44 | 5.207 | 5 5 | 3.526 | s | (1.681) | | 664,706 | 337,200 | 327,506 | (\$550,538) |
| Avg Total \$ | 69 | 5.182 | 69 | 3,350 | 69 | (1.832) | -35.4% | 25 831 915 | 16 604 121 | 707 766 0 | (\$47 577 774) |
| | The second | Į. | | Ħ | | | | | | 4,000 | (1,1), (1,1) |

Footnotes:

a: Nymex rate used for annual BGSS periodic rate filing; Oct-11 to Sept-13 based on 05/10/2011 Close.

b. Nymex rate as of date of the report

c. Increasea/Decrease in the Nymex rate compared to rate used for annual BGSS periodic rate filing

e. "Hedged" volume consists of all fixed price contracts (financial or physical), purchased call option positions, d: Sales forecast (includes fuel requirement) at a receipt point/wellhead equivalent volume

and tentative storage withdrawal volumes (reduced by fuel required for delivery to citygate)

Unhedged' volume consists of sales volume forecast less 'hedged' volume
 Not necessarily representative of a change in underfover-recovery value

S-ECHART-2

| | Elizabethtown Gas Calculation of Net Cost of Gas Per Therm | own Gas n of Net C | ost of Gas | Per Ther | E | | | | | | | | Page 1 |
|---|---|--|---|--|--|--|---|--|--|--|---|---|--|
| A NYMEX - 05/10/11 - Included in BGSS Filing 5 2 NYMEX - Actual Settlement 8 | Actual Oct-11 \$0.473 \$0.3759 | Actual Nov-11 \$0.4577 \$0.3524 | Actual Dec-11 \$0.4792 \$0.3364 | Actual Lan-12 \$0.4908 \$0.3084 | Actual Feb-12 50.4897 \$0.2678 | Actual Mar-12 50.4837 50.246 | Actual Apr-12 \$0.4707 \$0.2181 | Actual May-12 \$0.4730 \$0.2036 | Actual <u>Jun-12</u> \$0.4769 50.2429 | Actual Jul-12 \$0.4814 \$0.2774 | Estimate Aug-12, \$0,4839 | Estimate <u>Sep-12</u> 50,4848 | 12 Month Weighted Average |
| Breakdown of Gross Cost of Gas Per Therm: 13 Flowing Gas Cost 14 Gas Withdrawn From Storage Cost 15 Hedged Volumes Delivered Cost 16 Pipeline Demand Cost 17 Storage Cemand Cost 18 Peaking Cost | \$0.0142 \$0.0779 \$1.2428 \$0.5442 \$0.1266 | \$0.1821 \$0.1889 \$0.3864 \$0.2136 \$0.0494 | \$0.1757 \$0.3362 \$0.3078 \$0.1470 \$0.0359 | \$0.1646 \$0.2426 \$0.1735 \$0.0931 \$0.0230 | \$0.1148 \$0.2745 \$0.1256 \$0.0229 | \$0.0191 \$0.2290 \$0.1814 \$0.1201 \$0.0290 | \$0.0318 \$0.0802 \$0.4475 \$0.2094 \$0.0509 | \$0.0758 \$0.0073 \$0.4839 \$0.3111 \$0.0739 | \$0.0981 \$0.0194 \$0.7276 \$0.5264 \$0.1269 | \$0.0580 \$0.0402 \$0.9160 \$0.6960 \$0.1455 | \$0.0310 \$0.0042 \$0.8000 \$0.7840 | \$0.0681 \$0.0041 \$0.7798 \$0.1929 | \$0.0820 \$0.1973 \$0.3409 \$0.2123 |
| orage Fuel Cost line Cost ross Cost of Gas Per Therm | \$0.0000 \$0.0000 \$0.0000 \$2.0992 | \$0.0262 \$0.0262 \$0.0000 \$0.0000 | \$0.0011 \$0.0229 \$0.0000 \$1.0267 | \$0.0007 \$0.0158 \$0.0000 \$0.0000 \$0.7133 | \$0,0046 \$0,0111 \$0,0000 \$0,6468 | \$0.0196 \$0.0096 \$0.0000 \$0.6080 | \$0.0016 \$0.0256 \$0.0000 \$0.0000 \$0.7834 | \$0.0000 \$0.0292 \$0.0000 \$0.0000 | \$0.0000 \$0.0513 \$0.0600 \$0.0000 \$1.3535 | \$0.0000 \$0.0688 \$0.0000 \$0.0000 | \$0.0000 \$0.1548 \$0.0281 \$0.0000 \$1.9960 | \$6,0000 \$0,1581 \$0,0360 \$0,0000 \$1,9996 | \$0.0042 \$0.0289 \$0.0015 \$0.0000 \$0.9177 |
| A Q23 NYMEX - Actual Sertlement \$1 | Actual Oct-10 1 \$0.3837 | Actual Nov-10 \$0.3292 | Actual Dec-10 \$0.4287 | Actual Jan-11 \$0.4216 | Actual Feb-11 50.4316 | Actual Mar-11 \$0.3793 | Actual Apr-11 \$0.4240 | Actual May-11 \$0.4377 | Actual Jun-11 \$0.4326 | Actual <u>Jul-11</u> \$0.4357 | Actual Aug-11 \$0,4370 | Actual Scp-11 \$0.3857 | Weighted Average |
| Breakdown of Gross Cost of Gas Per Therm: 24 Flowing Gas Cost 25 Gas Withdrawn From Storage Cost 26 Hedged Volumes Delivered Cost 27 Pipeline Dermand Cost 28 Storage Dermand Cost 29 Peaking Cost 30 Weighted Average Fuel Cost 31 Variable Pipeline Cost 32 Other Costs 33 Total Gross Cost of Gas Per Therm 5 | 50.3866 50.1378 51.4692 50.4871 50.1200 50.0000 50.0000 50.0000 50.0000 50.0000 50.0000 | \$0.2880 \$0.2822 \$0.328 \$0.3194 \$0.0510 \$0.0510 \$0.0000 \$0.00000 | \$0.4149 \$0.3015 \$0.2615 \$0.1199 \$0.0268 \$0.006 \$0.0324 \$0.0000 \$0.0000 | \$0,3229 \$0,2364 \$0,1992 \$0,0739 \$0,0025 \$0,0025 \$0,0000 \$0,0000 | \$0.2620 \$0.1766 \$0.1285 \$0.0725 \$0.0074 \$0.0034 \$0.0034 \$0.0000 \$0.0000 | \$0.1636 \$0.2301 \$0.1779 \$0.0990 \$0.0241 \$0.0066 \$0.0157 \$0.0000 \$0.0000 | \$0.0285 \$0.0623 \$0.3527 \$0.1321 \$0.0321 \$0.008 \$0.0256 \$0.0000 \$0.0000 | \$0.0658 \$0.0568 \$0.0568 \$0.2884 \$0.0657 \$0.0000 \$0.0434 \$0.0000 \$0.0000 \$0.0000 | | 50.3398 50.0589 51.1521 50.1522 50.0509 50.0000 50.0000 51.7882 | -50.2349 50.0038 51.2864 50.7493 50.1704 50.0000 50.0000 50.0000 | \$0.1327 \$0.0073 \$0.0073 \$0.6739 \$0.1537 \$0.000 \$0.0000 \$0.0000 \$0.0000 \$0.0000 | \$0.1818 \$0.1873 \$0.3559 \$0.1719 \$0.0004 \$0.0022 \$0.0000 \$0.0000 |

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

Flowing Gas Cost = Gas purchased for delivery to city gate during month - not injected into storage

Gas Withdrawn From Storage Cost = Gas withdrawn from storage - includes cost of injection, withdrawl, fees, line loss

Hedged Volumes Delivered Cost = Hedged Volumes delivered to city gate - not injected into storage

Pipeline Demand Cost = Fixed Pipeline costs

Storage Demand Cost = Fixed Storage related costs

Peaking Cost = Peaking Cost includes peaking services, LNG, Propane, etc...
Weighted Average Fuel Cost = Commodity x fisel % for each pipeline - represents portion of gas shipped that is retained by pipeline Variable Pipeline Cost = Pipeline Charge per therm shipped

S-ECHART-2

| | Elizabethtown Calculation of | | Gas Net Cost of Gas Per Therm | s Per The | | | | | | | | | Page 2 |
|---|---------------------------------|------------------|----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------|----------|---------------------------------|
| | Actual Oct-11 | Actual Nov-11 | Actual Dec-11 | Actual Jan-12 | Actual Feb-12 | Actual Mar-12 | Actual Apr-12 | Actual May-12 | Actual Jun-12 | Actual Jul-12 | A02-12 | Sep-12 | 12 Month Weighted Average |
| Credits, Refunds, & Recoveries Per Therm: | | | | | | | | | | | | | |
| 1 Asset Management Credits | \$0,0000 | \$0.0000 | \$0.0559 | \$0.0000 | \$0.0000 | \$0.0450 | \$0,000 | \$0.0000 | \$0.2067 | \$0.0000 | SO 0000 | \$0.2920 | \$0.0260 |
| 2 Off-system sales | \$0.0000 | \$0.0000 | \$0.0000 | \$0,000 | \$0,0000 | 20.0000 | \$0,0000 | 30.0000 | \$0,000 | 20.000 | \$0.000 0000 | 20 0000 | 20.000 |
| 3 Capacity release | \$0.0053 | \$0.0021 | \$0.0015 | \$0.000 | \$0.0016 | \$0,0012 | \$0.0021 | \$0.0031 | \$0.0054 | 20000 | \$0.0075 | \$0.00¢ | \$0.000 |
| 4 On System Credits to BGSS-P Customers | \$0.3025 | \$0.2220 | \$0.1880 | \$0.1614 | \$0,1562 | \$0.1417 | \$0.1509 | \$0.1584 | \$0.2141 | 50.2811 | \$0.4815 | \$0.4003 | \$6.1871 |
| S Supplier Refunds | \$0.0248 | \$0,000 | \$0.0000 | 20.0000 | \$6,0045 | \$0,000 | \$0.0157 | \$0,000 | \$0.0000 | 20.0000 | \$0,000 | 000000X | \$0.000 |
| 6 Gas for Company Use | \$0.0000 | \$0,000 | \$0.000 | 80,0000 | \$0.0000 | \$0.0000 | \$0.0000 | \$0.0000 | \$0.000 | \$0.0000 | \$0,000 | 20.000 | \$0.000 |
| 7 Line Loss | \$0,000 | \$0.0000 | \$0,000 | \$0,0000 | \$0,0000 | \$0.0000 | \$6.0000 | \$0,0000 | \$0.0000 | \$0.0000 | 20.0000 | \$0.000 | 20.0000 |
| 8 Transfer to Non BGSS-P Customers | \$0.0000 | \$0.0000 | \$0.0000 | \$0.0000 | \$0.0000 | \$0,000 | \$0,000 | \$0.000 | \$0.000 | \$0,000 | \$0,000 | \$0.000 | \$0.000 |
| 9 Over / Under Recovery & Interest to Customers | \$1.0625 | 50.1680 | \$0.1372 | -\$0.0945 | -\$0.1452 | -\$0.1792 | -\$0.0200 | \$0.0162 | \$0.2750 | \$0.8758 | \$0,8610 | \$0.6543 | \$0.0607 |
| 10 Other | \$0.0000 | \$0.0000 | \$0.0000 | 20.0000 | \$6.0000 | \$0.0000 | \$0.0000 | \$0.0000 | \$0.0000 | \$0,0000 | \$0,0000 | \$0,000 | \$0.0000 |
| Total Credits, Refunds, & Recoveries per Therm | \$1.3950 | \$0.3920 | \$0.3826 | \$0.0678 | \$0.0165 | \$0.0087 | \$0.1487 | \$0.1777 | \$0.7012 | \$1.1637 | \$1.3501 | \$1.3537 | \$0.2798 |
| 12 Total Net Cost Per ThermOPe 1 Line 22 - Pr 2 Une 11) | \$0.7041 | \$0,6546 | \$0,6441 | \$0.6455 | \$0.6303 | \$0.5994 | \$0.6347 | \$0.6517 | \$0.6523 | \$0.6389 | \$0.6459 | \$0.6459 | \$0.6379 |
| | | | | | | | | | | | | | |
| | Actual | Actuai | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Weighted |
| | Oct-10 | Nov-10 | Dec-10 | Jan-11 | Feb-11 | Mar-11 | Apr-11 | May-11 | Jun-11 | Jul-11 | Aug-11 | Sep-11 | Average |
| Credits, Refunds, & Recoveries Per Therm: | | | | | | | | | | | | | |
| 13 Asset Management Credits | \$0.0000 | \$0.0000 | \$0.0396 | \$0.0000 | \$0.0000 | \$0.0371 | \$0,0000 | \$0.3290 | \$0,2019 | \$0.0000 | \$0.0000 | \$0.2565 | \$0.0378 |
| 14 Off-system sales | \$0,0000 | \$0.0000 | \$0.0000 | \$0,000 | \$0.0000 | \$0.0000 | \$0,0000 | \$0.0000 | \$0.0000 | \$0.0000 | \$0.0000 | \$0.0000 | \$0.0000 |
| 15 Capacity release | \$0.0049 | \$0.0022 | \$0,0010 | \$0.0007 | \$0,0007 | \$0.0010 | \$0.0013 | \$0.0028 | \$0.0053 | \$0,0064 | \$0.0072 | \$0,0067 | \$0.0017 |
| 16 On System Credits to BGSS-P Customers | \$0.2319 | 50.1784 | \$0.1961 | \$0.1987 | \$0.2045 | \$0.1883 | \$0,2163 | \$0.2379 | \$0.2238 | \$0.3893 | \$0,4070 | \$0.3168 | \$0.2126 |
| 17 Supplier Refunds | \$0.0110 | \$0.0000 | \$0.0000 | \$0,0034 | \$0.0000 | \$0.0000 | \$0.0062 | \$0.0178 | \$0.0000 | \$0,0303 | \$0.000 | \$0.0000 | \$0.0032 |
| 18 Gas for Company Use | \$0.0000 | \$0.0000 | \$0.0000 | \$5,0000 | \$0.0000 | \$0.0000 | \$0.0000 | \$0.0000 | \$0.0000 | S0.0000 | \$0.000 | \$0.0000 | \$0.0000 |
| 19 Line Loss | \$0,0000 | \$0.0000 | \$0.0000 | \$0,0000 | \$0.0000 | \$0,000 | \$0.0000 | \$0.0000 | \$0,0000 | \$0.0000 | \$0.0000 | \$0.0000 | \$0.0000 |
| 20 Transfer to Non BGSS-P Customers | \$0.0000 | \$0.0000 | \$0.0000 | \$0,000 | \$0.0000 | \$0.000 | \$0.0000 | \$0.0000 | \$0.0000 | \$0.0000 | \$0.0000 | \$0.0000 | \$0,000 |
| 21 Over / Under Recovery & Interest to Customers | \$0.9079 | \$0.3453 | \$0.1921 | -\$0.0774 | -\$0.2823 | -\$0.2588 | -\$0.3467 | -50.3792 | \$0,3609 | \$0.6133 | \$0.9132 | \$0.6622 | -\$0,0323 |
| 22 Other | \$0.0000 | \$0.0000 | \$0,0000 | \$0.0000 | \$0.000 | \$0.0000 | \$0.000 | \$0.000 | \$0.0000 | \$0.0000 | \$0.0000 | \$0.0000 | \$0,0000 |
| Total Credits, Refunds, & Recoveries per Therm | \$1,1558 | \$0.5258 | \$0.4288 | \$0.1254 | -\$0.0771 | -\$0.0324 | -\$0.1229 | \$0.2084 | \$0.7919 | \$1,0391 | \$1.3275 | \$1.2421 | \$0.2230 |
| 24 Total Net Cost Fer Therm (Fr. 1 Line 33 Fr. 2 Line 23) | \$0.7518 | \$0.7562 | \$0.7289 | \$0.7568 | \$0.7558 | 50,7434 | \$0,7546 | \$0.7474 | \$0.7667 | \$0.7492 | \$0.7547 | \$0.7355 | \$6.7496 |
| | | | | | | | | | | | | | |

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

Exemptes:
On System Credits to BGSS-P Customers = Interuptible Sales, Cogeneration, Electric Plant Transfers, Sayerville, Forked River, Ocean Power, etc...
Line Loss = Gross Cost of Gas per Therm x Line Loss Percentage
Indicate that Line 12 equals the projected BGSS-P rate or provide a calculation below that reconciles the two numbers.