Agenda Date: 6/22/18
Agenda Item: LSB

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE NEW JERSEY BOARD OF PUBLIC UTILITIES' CONSIDERATION OF THE TAX CUTS AND JOBS ACT OF 2017	)	DECISION AND ORDER APPROVING STIPULATION
IN THE MATTER OF THE COMPLIANCE FILING OF PIVOTAL UTILITY HOLDINGS, INC. D/B/A ELIZABETHTOWN GAS	)	DOCKET NO. AX18010001
	)	AND
	)	DOCKET NO. GR18030232

Parties of Record:

Mary Patricia Keefe, Esq. for Elizabethtown Gas Company
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel
Steven S. Goldenberg, Esq., Fox Rothschild, LLP, on behalf of New Jersey Large Energy Users Coalition

BY THE BOARD:

By this Decision and Order, the New Jersey Board of Public Utilities ("Board" or "BPU") considers a Stipulation of Settlement ("Stipulation") entered into by Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas ("ETG" or "Company"), the New Jersey Division of Rate Counsel ("Rate Counsel"), Board Staff ("Staff"), and the New Jersey Large Energy Users Coalition ("NJLEUC") (collectively, "Parties") which seeks to resolve all issues related to this matter.

BACKGROUND

By Order[1] ("Generic TCJA Order") dated January 31, 2018, the Board directed affected utilities[2] to file petitions proposing new rates reflecting the impacts from the Federal Tax Cuts and Jobs Act (the "2017 Act") signed into law on December 22, 2017. The effective date of the 2017 Act is January 1, 2018. The 2017 Act set forth changes to the Federal Internal Revenue Tax Code

[1] See In re the New Jersey Board of Public Utilities Consideration of the Tax Cuts and Jobs Act of 2017, BPU Docket No. AX18010001 (Order dated January 31, 2018).
[2] The affected utilities are investor owned gas, electric, water and wastewater companies under the jurisdiction of the Board. In addition, affected utilities shall be those with 2017 revenues equal to or greater than $4.5 million.

("Tax Code"), including a reduction in the maximum corporate tax rate from thirty-five percent (35%) to twenty-one percent (21%). The Board is charged with the authority to ensure that the regulated utilities' rates charged to ratepayers are just and reasonable. When the Board sets rates in base rate cases and in certain annual/periodic clauses, utilities are permitted to gross up their revenue requirement as well as set other rate factors, including, the accumulated deferred income tax, based on the then existing thirty-five percent (35%) corporate tax rate.

The Board issued the Generic TCJA Order which set all affected utility rates as interim and established a proceeding to consider the implications of the 2017 Act. Based upon the Board's review of the 2017 Act, the Board found in its Generic TCJA Order that the changes to the Tax Code will provide savings to the affected utilities and will result in an over-collection of tax revenue by the affected utilities that will not be paid in federal income taxes. The affected utilities were required to file amended tariffs reflecting a reduction in rates resulting from the reduction in the corporate tax rate effective April 1, 2018, as well as a plan to address other rate factors and to refund any over collection in rates. The Generic TCJA Order also set February 20, 2018 as the deadline for the filing of motions to intervene or participate.

ETG FILING

On March 2, 2018, the Company filed its petition pursuant to the Generic TCJA Order, including proposed tariffs as well as a proposed plan. Specifically, ETG requested an annual reduction in firm distribution revenues of $10,938,818, effective April 1, 2018, which represents a 6.6% decrease. The Company also requested authorization to refund to customers for the difference between the effective April 1, 2018 rate and charges for January 1, 2018 through March 31, 2018, which was estimated to be $5.6 million. The Company proposed to refund the $5.6 million in a billing cycle during or before September 2018. Alternatively, the Company proposed to provide the refunds in May 2018 by filing a true-up after final rate approval by the Board. ETG proposed that the one-time refund would include interest at the Company's short-term debt rate as specified in the Company's last base rate case[3] and New Jersey Sales and Use Tax. ETG's calculations include an adjustment to eliminate all Investment tax credits for the revenue requirements. The Company's revenue factor will be reduced to 1.40828098. Additionally, the Company will use the Average Rate Assumption Method ("ARAM") to amortize the protected excess deferred tax liability and proposed to amortize the unprotected potions of the excess over five (5) years. ETG's rate base includes an offset for deferred taxes, a portion of which will be used to provide customers an ongoing carrying cost benefit to the pre-tax weighted average cost of capital. To accomplish the rate reduction, the Company proposed to only reduce the distribution charges of its firm service classification and leave the monthly service charges untouched. The Weather Normalization Clause Margin Revenue Factor would be adjusted, effective January 1, 2018, to realize the full benefit of the 2017 Tax Act.

The Company's proposed tariffs include an across-the-board rate reduction reflecting the reduction in the corporate tax rate from thirty-five percent (35%) to twenty-one percent (21%). As a result, the residential gas heating customer using 1,000 therms annually will see an annual bill decrease of $33.70 or 3.4%.

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[3] The Company's previous rate case was resolved by Order dated June 30, 2017, in I/MO 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, "Decision and Order Approving Initial Decision and Stipulation" (June 30, 2017).

By motions dated February 13, 2018, NJLEUC filed a motion to intervene and for the admission pro hac vice of Paul F. Forshay, Esq. On March 20, 2018, NJLEUC provided a sample list of its members that receive natural gas distribution service from ETG, but reserved its right to object to the identification of some or all of its members in future proceedings. By correspondence dated March 22, 2018, ETG indicated that it did not object to the motion to intervene or the motion for admission pro hac vice filed by NJLEUC.

By Order dated March 26, 2018, the Board directed the Company to implement its proposed base rate reduction on an interim basis, effective April 1, 2018. As a result of the March 26, 2018 Order, an average residential heating customer using 1,000 therms per year would see an annual decrease of $33.70 or 3.4%. The March 26, 2018 Order also granted NJLEUC intervener status and granted the pro hac vice motion for Mr. Forshay.

STIPULATION

Following a review of discovery and subsequent discussions, the Parties executed the Stipulation, which provides for the following[4]:

9. ETG will implement the revised distribution rates, and the residential service charge, reflected on Appendix A of the Stipulation effective July 1, 2018 on a permanent basis. The rates reflected on Appendix A of the Stipulation reflect an annual revenue requirement reduction of $12.1 million annually, a reduction of 7.3 percent of firm distribution revenues as compared to the level of revenues used to design rates in the Company's previous base rate case. This annual revenue requirement reduction comprises the following components:

    (i) a reduction in annual current federal income tax expense of $9.6 million;

    (ii) an annual amortization of Protected Excess Accumulated Deferred Income Taxes of $1.3 million;

    (iii) an annual amortization of Unprotected Excess Accumulated Deferred Income Taxes of $1.2 million; and

    (iv) the application of revised revenue expansion factor of 1.40828098 as compared to the revenue expansion factor of 1.71370692 approved in the Company's previous base rate case the impact of which is included in the revenue requirement impacts presented in (i) through (iii).

    The annual revenue requirement reduction has been allocated to the Company service classifications that received an increase in rates in the Company's previous base rate case. A proof of revenue supporting the revenue requirement reduction and the proposed rates is attached as Appendix B to the Stipulation. The impact of the proposed rate reduction to a residential customer using 1,000 therms annually is a decrease of $36.78 from $988.11, at January 1, 2018, to $951.33, a reduction of 3.7 percent.

[4] Although summarized in this Order, the detailed terms of the Stipulation are controlling, subject to the findings and conclusions in this Order.

10. The Company's Protected Excess Accumulated Deferred Income Tax balance grossed up by the revenue expansion factor as of December 31, 2017 is $116.3 million. This balance is properly reclassified as a regulatory liability on Elizabethtown's books. This regulatory liability consists of two components – federal depreciation and tax net operating loss ("NOL"). The federal depreciation component will be amortized using the Average Rate Assumption Method and the NOL component will be amortized over 5 years.

11. The Company's Unprotected Excess Accumulated Deferred Income Tax balance grossed up by the revenue expansion factor as of December 31, 2017 is $5.8 million. This balance is properly reclassified as a regulatory liability on ETG's books. This regulatory liability will be amortized and returned to customers over five years.

12. ETG shall refund the January 1, 2018 through June 30, 2018 overcollection, including interest accrued at the 1.92 percent short term debt rate reflected in the Company's current rates, on the basis of its customers' actual billed volumes during the period January 1, 2018 through June 30, 2018. The total rate refund is estimated to be approximately $5.8 million. This amount would result in an estimated one-time refund for a 1,000 therm use residential customer using 600 therms during this period of $16.19 or 1.7% percent of the customer's estimated annual bill. The Company shall file a report with the Parties and the Board detailing the refund required by the Stipulation within thirty (30) days of the completion of its issuance.

13. Appendix C of the Stipulation sets forth the Company's revised Weather Normalization Clause ("WNC") Margin Revenue Factor to be effective January 1, 2018. The revised WNC Margin Revenue Factor captures the benefit of the rate reduction associated with the 2017 Tax Cut Act. The impact of the 2017 Tax Cut Act on the Company's other rate clauses, including the deferred balances associated with those clauses, will be captured in ETG's periodic filings concerning those clauses.

14. The Parties agree that any change in the amounts described in the Stipulation, including rates and refunds will be addressed in the Company's next base rate case that is required to be filed no later than June 2020.

15. The Parties are aware of the petition filed on December 21, 2017 and currently before the Board: In the Matter of the Acquisition of Elizabethtown Gas, a Division of Pivotal Utility Holdings, Inc. by ETG Acquisition Corp., a Subsidiary of South Jersey Industries and Related Transactions, BPU Docket No. GM17121309, ("the Acquisition Petition"). In the Acquisition Petition, South Jersey Industries ("SJI") seeks to acquire all of Elizabethtown's assets. The Parties agree that should the Acquisition Petition be approved by the Board prior to issuing the refunds described in paragraphs 10 to 12 of the Stipulation, the consummation of that acquisition will not adversely affect ETG's customers. Furthermore, based on the stipulation of settlement filed by the Joint Petitioners in BPU Docket No. GM17121309 the parties have agreed that consummation of the acquisition will not adversely affect customers as a result of accounting and

ratemaking treatments of any of ETG's deferred balances of any kind that are due to or due from customers and would typically be a component in the determination of the cost of service and that exist prior to the closing of the proposed acquisition. Therefore, post-Closing SJI has agreed to indemnify and Hold Harmless all ETG ratepayers against any harm resulting from the loss of ratepayer benefits associated with any and all deferred credits or debits and any and all deferred balances and regulatory liabilities of any kind and for any reason as a consequence of the acquisition of ETG assets and this Hold Harmless is absolute and unconditional.

DISCUSSION AND FINDINGS

Staff and Rate Counsel have reviewed the Company's filing, exchanged discovery and reached a resolution on all issues in this matter. The one-time refund of $16.19 is in addition to the revised annual decrease of $36.78.The Stipulation further addresses the other effects of the 2017 Act on ETG's rate base, including protected and unprotected deferred income taxes. Finally, the Stipulation appropriately provides that additional review of any related refunds and rates may occur, as necessary, in future proceedings.

The Board has reviewed the record in this proceeding, including the petition and the Stipulation. The Board **HEREBY FINDS** the Stipulation to be reasonable, in the public interest, and in accordance with the law. Therefore, the Board **HEREBY ADOPTS** the Stipulation in its entirety, and **HEREBY INCORPORATES** its terms and conditions as though fully set forth herein.

The Board **HEREBY APPROVES** the interim rates set forth in the Board's March 26, 2018 Order in this docket as final, effective July 1, 2018.

ETG is **HEREBY DIRECTED** to file the appropriate tariff sheets conforming to the terms and conditions of this Order prior to July 1, 2018.

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

Agenda Date: 6/22/18
Agenda Item: LSB

This Order shall be effective June 29, 2018.

DATED: 6/22/18

BOARD OF PUBLIC UTILITIES
BY:

JOSEPH L. FIORDALISO
PRESIDENT

MARY-ANNA HOLDEN
COMMISSIONER

DIANNE SOLOMON
COMMISSIONER

UPENDRA J. CHIVUKULA
COMMISSIONER

ROBERT M. GORDON
COMMISSIONER

ATTEST:

AIDA CAMACHO-WELCH
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 NEW JERSEY BOARD OF PUBLIC UTILILITES' CONSIDERATION OF THE TAX CUTS AND JOBS ACT OF 2017
DOCKET NO. AX18010001

IN THE MATTER OF THE COMPLIANCE FILING OF PIVITAL UTILITY HOLDINGS, INC. D/B/A ELIZABETHTOWN GAS
DOCKET NO. GR18030232

SERVICE LIST

Elizabethtown Gas
520 Green Lane
Union, NJ 07083

Mary Patricia Keefe, Esq.
pkeefe@southernco.com

Thomas Kaufman
tkaufman@southernco.com

Susan Potanovich
spatanovich@southernco.com

Southern Company Gas
Ten Peachtree Place
Atlanta, GA 30309

Erica McGill, Esq.
ermcgill@southernco.com

Cullen and Dykman, LLP
1101 14th Street, NW, Suite 750
Washington, DC 20005

Kenneth T Maloney, Esq.
kmaloney@cullenanddykman.com

Cullen and Dykman, LLP
Garden City Center
100 Quentin Roosevelt Boulevard
Garden, City, NY 11530

Deborah Franco, Esq.
dfranco@cullenanddykman.com

Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350

Paul Flanagan, Executive Director
paul.flanagan@bpu.nj.gov

Stacy Peterson, Director
Division of Energy
stacy.peterson@bpu.nj.gov

Alice Bator, Director
Division of Audits
alice.bator@bpu,nj.gov

Darren Erbe
Division of Audits
darren.erbe@bpu.nj.gov

William Foley
Division of Audits
william.foley@bpu.nj.gov

Jehvson Espiritu
Division of Audits
jehvson.espiritu@bpu.nj.gov

Noreen Giblin, Chief Counsel
Counsel's Office
noreen.giblin@bpu.nj.gov

Carol Artale, Esq.
Counsel's Office
carol.artale@bpu.nj.gov

Bethany Rocque-Romaine, Esq.
Counsel's Office
bethany.romaine@bpu.nj.gov

Megan Lupo, Esq.
Counsel's Office
megan.lupo@bpu.nj.gov

Andrea Hart, Esq.
Counsel's Office
andrea.hart@bpu.nj.gov

Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office Box 003
Trenton, NJ 08625-0003

Stefanie A. Brand, Esq., Director
stefanie.brand@rpa.nj.gov

Brian Lipman, Litigation Manager
brian.lipman@rpa.nj.gov

Felicia Thomas-Friel, Esq.
felicia.thomas@rpa.nj.gov

Shelly Massey
shelly.massey@rpa.nj.gov

Deputy Attorneys General

124 Halsey Street
Post Office Box 45029
Newark, NJ 07101-45029

Geoffrey Gersten, DAG
geoffrey.gersten@law.njoag.gov

Alex Moreau, DAG
alex.moreau@law.njoag.gov

Timothy Oberleiton, DAG
timothy.oberleiton@law.njoag.gov

NJLEUC

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

Paul F. Forshay, Esq.
Sutherland, Asbill & Brennan, LLP
700 Sixth Street, NW, Suite 700
Washington, DC 20004
paul.forshay@sutherland.com

Elizabethtown Gas

Mary Patricia Keefe
Vice President, External Affairs
And Business Support

520 Green Lane
Union, NJ 07083
908 662 8452 tel
908 662 8496 fax
908 358 9671 cell
pkeefe@southernco.com

June 21, 2018

Via Electronic Mail and FedEx

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

Re: Pivotal Utility Holdings, Inc. D/B/A Elizabethtown Gas I/M/O the New Jersey Board of Public Utilities' Consideration of the Tax Cuts and Jobs Act of 2017
BPU Docket Nos. GR18030232/AX18010001

Dear Secretary Camacho:

Enclosed for filing with the New Jersey Board of Public Utilities ("Board") in the above proceeding are an original and ten copies of a Stipulation executed by representatives of Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas, Board Staff, the New Jersey Division of Rate Counsel, and the New Jersey Large Energy Users Coalition. The Stipulation resolves all issues in these proceedings.

It is respectfully requested that the Board consider and approve the Stipulation at its June 22, 2018 agenda meeting.

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

Sincerely yours,

/s/ Mary Patricia Keefe
Mary Patricia Keefe

cc: Service List

IN THE MATTER OF THE NEW JERSEY BOARD OF PUBLIC UTILITIES' CONSIDERATION OF THE TAX CUTS AND JOBS ACT OF 2017 - COMPLIANCE FILING OF PIVOTAL UTILITY HOLDINGS, INC. D/B/A ELIZABETHTOWN GAS

BPU DOCKET NO. GR18030232/AX18010001

SERVICE LIST

Mary Patricia Keefe, Esq.
Elizabethtown Gas
520 Green Lane
Union, NJ 07083
pkeefe@southernco.com

Thomas Kaufmann
Elizabethtown Gas
520 Green Lane
Union, NJ 07083
tkaufman@southerco.com

Susan Potanovich
Elizabethtown Gas
520 Green Lane
Union, NJ 07083
spotanov@southernco.com

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

Deborah Franco, Esq.
Cullen and Dykman
One Riverfront Plaza
Newark, NJ 07102
DFranco@cullenanddykman.com

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

Aida Camacho, Secretary
Board of Public Utilities
44 South Clinton Avenue
3rd Floor, Suite 314
P.O. Box 350
Trenton, NJ 08625-0350
Aida.Camacho@bpu.nj.gov

Carol Artale, Esq.
Board of Public Utilities
44 South Clinton Avenue, 3rd Fl. Ste. 314
P.O. Box 350
Trenton, NJ 08625-0350
Carol.Artale@bpu.nj.gov

Alice Bator
Board of Public Utilities
44 South Clinton Ave, 3rd Fl. Ste. 314
P.O. Box 350
Trenton, NJ 08625-0350
Alice.Bator@bpu.nj.gov

Darren Erbe
Board of Public Utilities
44 South Clinton Ave, 3rd Fl. Ste. 314
P.O. Box 350
Trenton, NJ 08625-0350
darren.erbe@bpu.nj.gov

Jehvson Espiritu
Board of Public Utilities
44 South Clinton Ave, 3rd Fl. Ste. 314
P.O. Box 350
Trenton, NJ 08625-0350
jehvson.espiritu@bpu.nj.gov

Paul Flanagan
Board of Public Utilities
44 South Clinton Ave, 3rd Fl. Ste. 314
P.O. Box 350
Trenton, NJ 08625-0350
Paul.Flanagan@bpu.nj.gov

William Foley
Board of Public Utilities
44 South Clinton Ave, 3rd Fl. Ste. 314
P.O. Box 350
Trenton, NJ 08625-0350
william.foley@bpu.nj.gov

Noreen Giblin
Board of Public Utilities
44 South Clinton Ave, 3rd Fl. Ste. 314
P.O. Box 350
Trenton, NJ 08625-0350
Noreen.Giblin@bpu.nj.gov

Stacy Peterson
Board of Public Utilities
44 South Clinton Ave, 3rd Fl. Ste. 314
P.O. Box 350
Trenton, NJ 08625-0350
Stacy.Peterson@bpu.nj.gov

Bethany Rocque-Romaine
Board of Public Utilities
44 South Clinton Ave, 3rd Fl. Ste. 314
P.O. Box 350
Trenton, NJ 08625-0350
Bethany.Romaine@bpu.nj.gov

Thomas Walker
Board of Public Utilities
44 South Clinton Ave, 3rd Fl. Ste. 314
P.O. Box 350
Trenton, NJ 08625-0350
Thomas.Walker@bpu.nj.gov

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

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

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

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

IN THE MATTER OF THE NEW JERSEY BOARD OF PUBLIC UTILITIES' CONSIDERATION OF THE TAX CUTS AND JOBS ACT OF 2017 - COMPLIANCE FILING OF PIVOTAL UTILITY HOLDINGS, INC. D/B/A ELIZABETHTOWN GAS

BPU DOCKET NO. GR18030232/AX18010001

SERVICE LIST

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

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

Robert J. Henkes
Henkes Consulting
7 Sunset Road
Old Greenwich, CT 06870
rhenkes@optonline.net

Lisa Gurkas*
lgurkas@rpa.nj.gov

Terry Myers*
Terry.myers@gdsassociates.com

Patrick Brin*
Patrick.brin@gdsassociates.com

Audrey Cobb*
Audrey.cobb@gdsassociates.com

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

Brian Kalcic
Excel Consulting
225 S. Meramec Avenue
Suite 720T
St. Louis, Missouri 63105
Excel.consulting@sbcglobal.net

Geoffrey Gersten, DAG
Department of Law & Public Safety
Division of Law
124 Halsey Street, 5th Floor
P.O. Box 45029
Newark, NJ 07101
geoffrey.gersten@law.njoag.gov

Alex Moreau, DAG
Department of Law & Public Safety
Division of Law
124 Halsey Street, 5th Floor
P.O. Box 45029
Newark, NJ 07101
Alex.moreau@law.njoag.gov

Timothy Oberleiton
Department of Law & Public Safety
Division of Law
124 Halsey Street
P.O. Box 45029
Newark, NJ 07101
Timothy.Oberleiton@law.njoag.gov

Caroline Vachier, DAG
Department of Law & Public Safety
Division of Law
124 Halsey Street, 5th Floor
P.O. Box 45029
Newark, NJ 07101
caroline.vachier@law.njoag.gov

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

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE NEW JERSEY BOARD OF PUBLIC UTILITIES' CONSIDERATION OF THE TAX CUTS AND JOB ACTS OF 2017	**:**	**BPU Docket No. AX18010001**
IN THE MATTER OF THE COMPLIANCE FILING OF PIVOTAL UTILITY HOLDINGS INC. D/B/A ELIZABETHTOWN GAS	**:**	**BPU Docket No. GR18030232**

FINAL STIPULATION

APPEARANCES:

Kenneth T. Maloney, Cullen and Dykman LLP, on behalf of Petitioner Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas

Brian Lipman, Esq., Litigation Manager, Felicia Thomas-Friel, Deputy Rate Counsel – Gas and Maura Caroselli, Esq., Assistant Deputy Rate Counsel (Stefanie A. Brand, Esq., Director)

Alex Moreau and Timothy Oberleiton, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (Gurbir S. Grewal, Attorney General of New Jersey)

Steven Goldenberg, Esq., Fox Rothschild, on behalf of Intervenor, the New Jersey Large Energy Users Coalition

To: The Honorable Board of Public Utilities

Background Statement

1. On December 22, 2017, the 2017 Tax Cut and Jobs Act ("2017 Tax Cut Act") was signed into law with an effective date of January 1, 2018. The 2017 Tax Cut Act sets forth changes to the Federal Internal Revenue Tax Code ("Tax Code"). One significant change is the reduction in the maximum corporate tax rate from 35 percent to 21 percent taking effect on January 1, 2018.

2. The New Jersey Board of Public Utilities ("Board") issued a generic order regarding the 2017 Tax Cut Act on January 31, 2018. *See*, *In The Matter of the New Jersey Board of Public Utilities' Consideration of the Tax Cuts and Jobs Act of 2017*, BPU Docket No. AX18010001 (January 31, 2018) (hereafter "the Generic TCJA Order"). Based on the Board's review of the 2017 Tax Cut Act, the Board determined that the changes to the Tax Code would provide savings to New Jersey public utilities and result in an over-collection of tax revenue by the public utilities that will not be paid in federal income taxes. *Id*. The Board stated: "To ensure that ratepayers receive the appropriate benefit from the reduction in taxes collected in rates that will no longer be paid, it is necessary for rates to be adjusted so that utility rates reflect the effective federal corporate tax rate." *Id*. at 2. The Board went on to state: "First, the new tax rate will have a direct impact on the grossing up of the revenue requirement established and approved by the Board in setting rates. In addition, the change in the tax rate may have an impact on other rate factors, including the accumulated deferred income tax." *Ibid.*

3. To ensure that utility customers receive the appropriate reduction in tax expense, the Board directed the utilities to defer, with interest, the effects of the 2017 Tax Cut Act on their books and records effective January 1, 2018, the effective date of the 2017 Tax Cut Act. The Board Order determined that (i) interest shall be calculated using the Company's short-term debt on the deferral related to the revenue requirement adjustment from the tax rate of 35 percent to the tax rate of 21 percent, and (ii) interest on the deferral related to the accumulated deferred income tax adjustment and other rate factors shall be at the utilities overall allowed weighted average cost of capital. According to the Board, "[t]his will preserve the effect and ultimately pass the reduction in the revenue requirement to ratepayers for expenses relating to taxes reflected in rates but no longer owed. The deferral shall be the difference between a tax

rate of 35% and 21% and its impact on both expense and on the flowback of excess accumulated deferred taxes." *Id*. at 4.

4. The Generic TCJA Order directed each affected public utility to submit to the Board, no later than March 2, 2018, a petition with a detailed calculation of the impact resulting from the 2017 Tax Cut Act on the revenue requirement by comparing the latest Board-approved test year data and supporting data attached to settlements under the old and new tax laws, and on the revenue requirements collected through annual/periodic clauses comparing the annual data under the old and new tax laws. The affected utilities were further directed to base the calculation upon the criteria set forth in the Generic TCJA Order at pages 2 through 3.

5. The Board also provided flexibility to the utilities to submit filings that proposed alternative means of returning the benefits of the 2017 Tax Cut Act to their customers. Specifically, the Board stated: "The parties are free to examine the amounts of the deferrals and rate adjustment mechanism and the appropriateness of applying the allowed overall weighted average cost of capital on the portion of the deferral related to the accumulated deferred income taxes and short term debt on the portion related to the revenue requirement not being adjusted as of January 1, 2018." *Id*.

6. Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas ("Elizabethtown" or "Company") filed a petition ("Tax Rate Adjustment Filing") as required by the Board Order regarding the 2017 Tax Cut Act in Docket Nos. AX18010001 and GR18030232 on March 2, 2018. The Tax Rate Adjustment Filing requested that the Board approve Elizabethtown's petition to implement: (i) a reduction in its base rates of $10.939 million annually to be effective April 1, 2018, and (ii) a refund to customers for the difference between the April 1, 2018 effective rates and the current rates for the period commencing January 1, 2018 and

ending March 31, 2018. Elizabethtown proposed that the one-time refund would include interest at the Company's short-term debt rate as specified in the Company's last base rate case[1] and New Jersey Sales and Use Tax ("SUT") and such refunds were anticipated to be applied to customer accounts during or before September 2018.

7. The New Jersey Large Energy Users Coalition ("NJLEUC") moved to intervene in these proceedings and further moved for the admission *pro hac vice* of Paul F. Forshay, Esq. Elizabethtown did not oppose these motions. On March 26, 2018, the Board issued an order in these proceedings directing the Company to implement its proposed base rate reduction on an interim basis effective April 1, 2018. The Board further granted NJLEUC's intervention motion as well as the admission *pro hac vice* of Mr. Forshay. In accordance with the Board's March 26, 2018 Order, Elizabethtown's proposed rates took effect on an interim basis April 1, 2018.

Stipulation

8. Elizabethtown, Board Staff, the New Jersey Division of Rate Counsel ("Rate Counsel"), and NJLEUC, (collectively the "Parties" to this proceeding), have conducted discovery and discussed this matter and now hereby STIPULATE AND AGREE as follows:

9. Elizabethtown will implement the revised distribution rates, and the residential service charge, reflected on Appendix A effective July 1, 2018 on a permanent basis. The rates reflected on Appendix A reflect an annual revenue requirement reduction of $12.1 million annually, a reduction of 7.3 percent of firm distribution revenues as compared to the level of

[1] The Company's previous base rate case was resolved by Order dated June 30, 2017 in *I/M/O 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*, "Decision and Order Approving Initial Decisions and Stipulation" (June 30, 2017).

revenues used to design rates in the Company's previous base rate case. This annual revenue requirement reduction comprises the following components:

(i) a reduction in annual current federal income tax expense of $9.6 million;

(ii) an annual amortization of Protected Excess Accumulated Deferred Income Taxes[2] of $1.3 million;

(iii) an annual amortization of Unprotected Excess Accumulated Deferred Income Taxes of $1.2 million; and

(iv) the application of revised revenue expansion factor of 1.40828098 as compared to the revenue expansion factor of 1.71370692 approved in the Company's previous base rate case the impact of which is included in the revenue requirement impacts presented in (i) through (iii).

The annual revenue requirement reduction has been allocated to the Company service classifications that received an increase in rates in the Company's previous base rate case. A proof of revenue supporting the revenue requirement reduction and the proposed rates is attached as Appendix B to this Stipulation. The impact of the proposed rate reduction to a residential customer using 1,000 therms annually is a decrease of $36.78 from $988.11, at January 1, 2018, to $951.33, a reduction of 3.7 percent.

10. The Company's Protected Excess Accumulated Deferred Income Tax balance grossed up by the revenue expansion factor as of December 31, 2017 is $116.3 million. This balance is properly reclassified as a regulatory liability on Elizabethtown's books. This regulatory liability consists of two components – federal depreciation and tax net operating loss

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[2] The Company's Excess Accumulated Deferred Income Taxes consist of "Protected" and "Unprotected" balances. The "Protected" component, which comprises the majority of the Company's excess accumulated deferred tax liability, represents deferred taxes that are subject to the normalization provisions of the 2017 Tax Cut Act and the Internal Revenue Service's regulations. The "Unprotected" balance is not covered by the normalization requirements.

("NOL"). The federal depreciation component will be amortized using the Average Rate Assumption Method and the NOL component will be amortized over 5 years.

11. The Company's Unprotected Excess Accumulated Deferred Income Tax balance grossed up by the revenue expansion factor as of December 31, 2017 is $5.8 million. This balance is properly reclassified as a regulatory liability on Elizabethtown's books. This regulatory liability will be amortized and returned to customers over five years.

12. Elizabethtown shall refund the January 1, 2018 through June 30, 2018 overcollection, including interest accrued at the 1.92 percent short term debt rate reflected in the Company's current rates, on the basis of its customers' actual billed volumes during the period January 1, 2018 through June 30, 2018. The total rate refund is estimated to be approximately $5.8 million. This amount would result in an estimated one-time refund for a 1,000 therm use residential customer using 600 therms during this period of $16.19 or 1.7% percent of the customer's estimated annual bill. The Company shall file a report with the Parties and the Board detailing the refund required by this Stipulation within thirty (30) days of the completion of its issuance.

13. Appendix C sets forth the Company's revised Weather Normalization Clause ("WNC") Margin Revenue Factor to be effective January 1, 2018. The revised WNC Margin Revenue Factor captures the benefit of the rate reduction associated with the 2017 Tax Cut Act. The impact of the 2017 Tax Cut Act on the Company's other rate clauses, including the deferred balances associated with those clauses, will be captured in Elizabethtown's periodic filings concerning those clauses.

14. The Parties agree that any change in the amounts described above, including rates and refunds will be addressed in the Company's next base rate case that is required to be filed no later than June 2020.

15. The Parties are aware of the petition filed on December 21, 2017 and currently before the Board: In the Matter of the Acquisition of Elizabethtown Gas, A Division of Pivotal Utility Holdings, Inc. by ETG Acquisition Corp., a Subsidiary of South Jersey Industries and Related Transactions, BPU Docket No. GM17121309, ("the Acquisition Petition"). In the Acquisition Petition, South Jersey Industries ("SJI") seeks to acquire all of Elizabethtown's assets. The Parties agree that should the Acquisition Petition be approved by the Board prior to issuing the refunds described in paragraphs 10-to 12 of this stipulation, the consummation of that acquisition will not adversely affect Elizabethtown's customers. Furthermore, based on the stipulation of settlement filed by the Joint Petitioners in BPU Docket No. GM17121309, the parties have agreed that consummation of the acquisition will not adversely affect customers as a result of accounting and ratemaking treatments of any of Elizabethtown's deferred balances of any kind that are due to or due from customers and would typically be a component in the determination of the cost of service and that exist prior to the closing of the proposed acquisition. Therefore, post-Closing SJI has agreed to indemnify and Hold Harmless all Elizabethtown ratepayers against any harm resulting from the loss of ratepayer benefits associated with any and all deferred credits or debits and any and all deferred balances and regulatory liabilities of any kind and for any reason as a consequence of the acquisition of Elizabethtown assets and this Hold Harmless is absolute and unconditional.

Miscellaneous

16. This Stipulation represents a mutual balancing of interests, contains independent 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 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, then any Party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation as though this Stipulation had not been signed.

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

18. 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, Board Staff, Rate Counsel and NJLEUC 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. The Parties further acknowledge that a Board order approving this Settlement 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 and request that the Board issue and order approving it in its entirety, in accordance with the terms hereof.

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

By: Mary Patricia Keefe (KTM)
Mary Patricia Keefe
Vice President, Regulatory Affairs and
Assistant Corporate Secretary

GURBIR S. GREWAL
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the
Board of Public Utilities

By: ______________________
Alex Moreau
Deputy Attorney General

STEFANIE A. BRAND
DIRECTOR
DIVISION OF RATE COUNSEL

By: Brian O Lipman
Brian O. Lipman 6/21/18
Litigation Manager

NEW JERSEY LARGE ENERGY USERS COALITION

By: ______________________
Steven Goldenberg
Counsel

DATE: June 21, 2018

AX 18010001
GR 18030232

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

FIT Adjustment

Proposed July 1, 2018

Distribution Rates w/ SUT

	1/1/2018 Distribution Charge w/SUT	Proposed Pre SUT	Sales Tax 6.625%	Proposed Distribution Charge	Change
Resdidential Service Charge	$8.48	$7.68	$0.51	$8.19	($0.29)
Residential	$0.3958	$0.3400	$0.0225	$0.3625	($0.0333)
Small General Service	$0.3577	$0.2978	$0.0197	$0.3175	($0.0402)
General Delivery Service	$0.2144	$0.1775	$0.0118	$0.1893	($0.0251)
Electric Generation	$0.0503	$0.0405	$0.0027	$0.0432	($0.0071)
Large Volume Demand **	$0.0536	$0.0396	$0.0026	$0.0422	($0.0114)
Firm Transportation **	$0.0536	$0.0396	$0.0026	$0.0422	($0.0114)
Natural Gas Vehicles, Dist, Chg. wo/sut	$0.3303	$0.2585	$0.0000	$0.2585	($0.0718)
Firm Spec. Contracts Avg, wo/sut	$0.0300	$0.0278	$0.0000	$0.0278	($0.0022)
Gas Lights ---- per Mantel	$6.98	$6.07	$0.40	$6.47	($0.51)
Interruptible Cogeneration Srv.	$0.0320	$0.0300	$0.0020	$0.0320	$0.0000
Interruptible Service - Not Parity	$0.0516	$0.0484	$0.0032	$0.0516	$0.0000
Interruptible Transportation Srv.	$0.0843	$0.0791	$0.0052	$0.0843	$0.0000
GDS Small SP#1	$0.1363	$0.1205	$0.0080	$0.1285	($0.0078)
GDS Large SP#2	$0.0666	$0.0552	$0.0037	$0.0589	($0.0077)
WNC MARGIN PRE TAX	$0.3178	$0.2884		$0.2884	($0.0294)

* Rates effective July 1, 2017 approved per Board Order in Docket No. GR16090826 Dated June 13, 2017.
** Large Volume Demand Combined with FTS to keep Rates the same

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS
FIT Adjustment
Proposed July 1, 2018

Appendix B

Proof of Revenues **($12,098,178)**

Base Rate Revenues at Present and Proposed Rates

Component	2016 Rate Case Amount	Units	Rate	Revenue	7/1/2018 Proposed Rates Rate	Revenue Proof	Increase	Target Change Applied to Distribution Rate = Dist / Therms Proof less Target	
Residential Service			RDS		RDS				
Customer Charge	3,201,470	Bills	$7.95	$25,451,687	$7.68	$24,587,290		$24,587,290	$0
Distribution Charge	231,260,100	Therms	$0.3712	$85,843,749	$0.3400	$78,628,434		$78,624,154	$4,280
Total Base Rate Revenues				**$111,295,436**		**$103,215,724**	**(7.3%)**	**$103,211,444**	$4,280
			SGS		SGS				
Small General Service									
Customer Charge	208,669	Bills	$20.56	$4,290,235	$20.56	$4,290,235		$4,290,235	$0
Distribution & Demand, combined	23,344,600	Therms	$0.3355	$7,832,113	$0.2978	$6,952,022		$6,951,601	$421
Total Base Rate Revenues				**$12,122,348**		**$11,242,257**	**(7.3%)**	**$11,241,836**	$421
			GDS		GDS				
General Delivery Service	**Ex GDS < 5,000 w/ CIAC**								
Customer Charge	68,884	Bills	$27.10	$1,866,756	$27.10	$1,866,756		$1,866,756	$0
Demand Charge	16,715,785	Therms	$0.756	$12,637,133	$0.756	$12,637,133		$12,637,133	$0
Distribution Charge	117,038,973	Therms	$0.2011	$23,536,537	$0.1775	$20,774,418		$20,773,524	$894
	May-Oct								
Distribution Charge (Sm. A/C, Dist. Gen.)	0	Therms	$0.1278	$0	$0.1205	$0		$0	$0
Distribution Charge (Lg. A/C, Dist. Gen.)	25,069	Therms	$0.0625	$1,567	$0.0552	$1,384		$1,383	$1
Total Base Rate Revenues				**$38,041,993**		**$35,279,691**	**(7.3%)**	**$35,278,796**	$895
			EGF		EGF				
Electric Generation Firm Service									
Customer Charge	48	Bills	$52.27	$2,509	$52.27	$2,509		$2,509	$0
Demand Charge	16,200	Therms	$0.421	$6,820	$0.421	$6,820		$6,820	$0
Distribution Charge, tariff rate	204,600	Therms	$0.0472	$9,657	$0.0405	$8,286		$8,278	$8
Total Base Rate Revenues				**$18,986**		**$17,615**	**(7.2%)**	**$17,607**	$8

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS
FIT Adjustment
Proposed July 1, 2018

Proof of Revenues **($12,098,178)**

Base Rate Revenues at Present and Proposed Rates

Component	2016 Rate Case Amount	Units	Rate	Revenue	7/1/2018 Proposed Rates Rate	Revenue Proof	Increase		Target Change Applied to Distribution Rate = Dist / Therms Proof less Target	
* LVD and FTS allocated as a combined Class to maintain rate alignment between Sales and Transportation Rates:										
				LVD		**LVD**				
Large Volume Demand										
Customer Charge	48	Bills	$257.01	$12,336	$257.01	$12,336			$12,336	$0
Demand Charge	224,400	Therms	$0.966	$216,770	$0.966	$216,770			$216,770	$0
Distribution Charge	905,630	Therms	$0.0503	$45,553	$0.0396	$35,863		*	$35,903	($40)
Total Base Rate Revenues				**$274,659**		**$264,969**			**$265,009**	($40)
				FTS		**FTS**				
Firm Transportation Service										
Customer Charge	396	Bills	$257.01	$101,776	$257.01	$101,776			$101,776	$0
Demand Charge	2,676,168	Therms	$0.966	$2,585,178	$0.966	$2,585,178			$2,585,178	$0
Distribution Charge	29,343,660	Therms	$0.0503	$1,475,986	$0.0396	$1,162,009		*	$1,163,309	($1,300)
Total Base Rate Revenues				**$4,162,940**		**$3,848,963**	**(7.5%)**		**$3,850,263**	($1,300)
				NGV		**NGV**				
Natural Gas Vehicles										
Distribution Charge	154,800	Therms	$0.3303	$51,130	$0.2585	$40,016			$40,010	$6
Fueling Charge	154,800	Therms	$0.3600	$55,728	$0.3600	$55,728			$55,728	$0
Facilities Charge	154,800	Therms	$0.2987	$46,239	$0.2987	$46,239			$46,239	$0
Total Base Rate Revenues				**$153,097**	**$0.9172**	**$141,983**			**$141,977**	$6
				GLS		**GLS**				
Gas Lights Service										
Service Charge		Per Mantle	$6.55		$6.07					
Distribution Charge	28,800	Therms	$0.4485	$12,917	$0.4159	$11,978			$11,979	($1)
Total Base Rate Revenues				**$12,917**		**$11,978**	**(7.3%)**		**$11,979**	($1)
Total Firm Rate Class Revenues	**402,306,232**	**Therms**		**$166,082,376**		**$154,023,180**	**(7.3%)**		**$154,018,911**	**$4,269**

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS
FIT Adjustment
Proposed July 1, 2018

Appendix B

Proof of Revenues **($12,098,178)**

Base Rate Revenues at Present and Proposed Rates

Component	2016 Rate Case Amount	Units	Rate	Revenue	7/1/2018 Proposed Rates Rate	Revenue Proof	Increase	Target Change Applied to Distribution Rate = Dist / Therms Proof less Target	
Closed Tariff 2 Kean Meters Left				CSI		CSI			
Interruptible Cogeneration Sales Service									
Service Charge	24	Bills	$101.20	$2,429	$101.20	$2,429		$2,429	$0
Demand Charge ,none									
Distribution Charge, retain 20%	40	Therms	$0.0300		$0.0300				
Total Base Rate Revenues	Sch TK-2			**$2,429**		**$2,429**	**0.0%**	**$2,429**	$0
			IS			IS			
Interruptible Sales Service									
Service Charge	12	Bills	$333.13	$3,998	$333.13	$3,998		$3,998	$0
Demand Charge	119,988	Therms	$0.076	$9,119	$0.076	$9,119		$9,119	$0
Distribution Charge, retain 20%	1,782,030	Therms	$0.0484		$0.0484				
Total Base Rate Revenues				**$13,117**		**$13,117**	**0.0%**	**$13,117**	$0
				IS		IS			
Interruptible Transportation Service									
Service Charge	132	Bills	$589.50	$77,814	$589.50	$77,814		$77,814	$0
Demand Chg., retain1st $0.08/ 20% thereafter	240,012	Therms	$0.293	$19,201 *	$0.293	$19,201 *		$19,201	$0
Distribution Charge, retain 20%	2,081,870	Therms	$0.0791		$0.0791				
Total Base Rate Revenues	Sch TK-2			**$97,015**		**$97,015**	**0.0%**	**$97,015**	$0
*Amount is the 1st $0.08 per therm									
	No Customers			**ITS-CSI**		**ITS-CSI**			
Interruptible Cogeneration Transportation Service									
Service Charge	0	Bills	$589.50	$0	$589.50	$0		$0	$0
Demand Charge, retain 20%	0	Therms	$0.293		$0.293				
Distribution Charge, retain 20%	0	Therms	$0.0791		$0.0791				
Total Base Rate Revenues				**$0**		**$0**		**$0**	$0

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS
FIT Adjustment
Proposed July 1, 2018

Appendix B

Proof of Revenues **($12,098,178)**

	2016 Rate Case				7/1/2018 Proposed Rates			Target Change Applied to Distribution Rate = Dist / Therms	
Component	**Amount**	**Units**	**Rate**	**Revenue**	**Rate**	**Revenue Proof**	**Increase**	**Proof less Target**	
			Base Rate Revenues at Present and Proposed Rates						
			ITS-LVD		**ITS-LVD**				
Interruptible LVD Sales Service									
Service Charge	492	Bills	$589.50	$290,034	$589.50	$290,034		$290,034	$0
Demand Charge	5,966,520	Therms	$0.293	$1,748,190	$0.293	$1,748,190		$1,748,190	$0
Distribution Charge	41,652,960	Therms	$0.0791	$3,294,749	$0.0791	$3,294,749		$3,294,749	$0
Tariff Flex Revenues	1,056,250	Therms	$0.0420	$44,363	$0.0420	$44,363		$44,363	$0
Total Base Rate Revenues				**$5,377,336**		**$5,377,336**	**0.0%**	**$5,377,336**	$0
		FYI ex Flex ='s	**$5,332,973**						
Total Interruptible Rate Class Revenues				**$5,489,897**		**$5,489,897**	**0.0%**	**$5,489,897**	**$0**
TOTAL SYSTEM BASE DISTRIBUTION REVENUES				**$171,572,273**		**$159,513,077**	**(7.0%)**	**$159,508,808**	**$4,269**
Other Revenues									
Special Contracts Firm				$477,900		$443,030	**(7.3%)**	$443,187	($157)
Special Contracts Interruptible				$742,201		$742,201		$742,201	$0
Other Miscellaneous Revenues				$1,613,232		$1,613,232		$1,613,232	$0
Total Other Revenues				**$2,833,333**		**$2,798,463**		**$2,798,620**	**($157)**
TOTAL SYSTEM INCLUDING OTHER REVENUES				**$174,405,606**		**$162,311,540**	**(6.9%)**	**$162,307,428**	**$4,112**

Change	**($12,094,066)**
Target Change	**($12,098,178)**
Difference	**$4,112**

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

FIT Adjustment

WNC Margin Revenue Factor Effective January 1, 2018 per Proposed July 1, 2018 Rates

Weather Normalization Margin Revenue Factor

Classes	Distribution Charge, including taxes ($/ therm) a	less SUT tax 6.625% b	Margin Revenue, Distribution Charge excluding taxes, ($/ therm) c = a - b	Class Sales for period October through May (therms) * d	Ratio of Class Sales to Total Sales for Period e= d / sum of d	Weighted Margin Revenue in Distribution Rate ($/ therm) f = c * e
RDS	$0.3625	$0.0225	$0.3400	213,746,500	63.46%	$0.2158
SGS	$0.3175	$0.0197	$0.2978	21,758,200	6.46%	$0.0192
GDS	$0.1893	$0.0118	$0.1775	101,315,994	30.08%	$0.0534
				336,820,694	100.00%	**$0.2884**

* Therms per September 1, 2016 Rate Case, post test year.