BEFORE THE STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES
OFFICE OF ADMINISTRATIVE LAW

IN THE MATTER OF THE PETITION	**)**	
OF PIVOTAL UTILITY HOLDINGS, INC.	**)**	
D/B/A/ ELIZABETHTOWN GAS FOR	**)**	**BPU DKT. NO. GR09030195**
APPROVAL OF INCREASED BASE TARIFF	**)**	**OAL DKT. NO. PUC-03655-2009N**
RATES AND CHARGES FOR GAS SERVICE	**)**	
AND OTHER TARIFF REVISIONS	**)**	

DIRECT TESTIMONY OF BRIAN KALCIC
ON BEHALF OF THE
NEW JERSEY DEPARTMENT OF THE PUBLIC ADVOCATE
DIVISION OF RATE COUNSEL

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Table of Contents

Q. Please state your name and business address.

A. Brian Kalcic, 225 S. Meramec Avenue, St. Louis, Missouri 63105.

Q. What is your occupation?

A. I am an economist and consultant in the field of public utility regulation, and principal of Excel Consulting. My qualifications are described in the Appendix to this testimony.

Q. On whose behalf are you testifying in this case?

A. I am testifying on behalf of the New Jersey Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel").

Q. What is the subject of your testimony?

A. Rate Counsel requested that I review various rate structure proposals submitted on behalf of Pivotal Utility Holdings, Inc., d/b/a Elizabethtown Gas ("Elizabethtown" or "Company"), and develop an appropriate rate design that reflects Rate Counsel witness Robert J. Henkes' recommended revenue requirement decrease of $13.435 million in this case.

In addition, I will comment on the Company's proposed revenue decoupling mechanism as presented in the direct testimony of Company witness Daniel P. Yardley.

Q. How is your testimony organized?

A. My direct testimony is organized as follows. Section I of my testimony reviews the Company's proposed rate classes. Section II discusses the Company's cost-of-service study. Section III presents my recommended class revenue allocation and rate design. Finally, Section IV critiques Elizabethtown's proposed revenue decoupling mechanism contained in Rider "E" – Efficiency and Usage Adjustment ("EUA").

Q. Please summarize your recommendations.

A. Based upon my analysis of the Company's filing and interrogatory responses, I recommend that Your Honor and the New Jersey Board of Public Utilities ("Board" or "BPU"):

- approve Rate Counsel's recommended class revenue allocation, which implements an overall decrease of $13.435 million in base revenues;
- adopt Rate Counsel's recommended rate design, which includes the consolidation of certain non-residential firm service rate schedules; and
- reject the Company's proposed EUA adjustment mechanism.

The specific details associated with my rate structure recommendations are discussed below.

I. Proposed Rate Classes

Q. Mr. Kalcic, how many different rate classes are included in the Company's current tariff?

A. At present, the Company serves approximately 274,000 customers via fifteen (15) rate schedules.[1] However, approximately 99.7% of the Company's customers are served on three (3) primary rate schedules, i.e., Rate Schedules ("Rates") RDS (Residential Delivery Service), SGS (Small General Service) and GDS (General Delivery Service).

Rate RDS is available to residential service customers and religious institutions (where the total rated output of all gas appliances does not exceed 500,000 BTU per hour). Rate SGS is limited to non-residential sales service customers that consume less than 3,000 therms per year, while Rate GDS is available to non-residential sales or transportation service customers that use in excess of 3,000 therms per year.

Q. Does Elizabethtown propose to modify its current rate schedules?

A. Yes. The Company proposes to cancel its Industrial Process Service (IPS) rate schedule, and consolidate the Temperature Control (TC) rate schedule with Rate GDS. In addition, the Company is proposing to move toward the consolidation of its Multiple

[1] The Company's current tariff includes the following ten (10) firm service rate schedules: Residential Delivery Service (**RDS**), Small General Service (**SGS**), General Delivery Service (**GDS**), Multiple Family Service (**MFS**), Temperature Control Service (**TC**), Large Volume Demand Service (**LVD**), Industrial Process Firm Service (**IPF**), Electric Generation Firm Service (**EGF**), Unmetered Outdoor Gas Lighting Service (**GLS**), and Firm Transportation Service (**FTS**). In addition, the Company maintains the following five (5) interruptible sales and transportation rate schedules: Interruptible Cogeneration Service (**CSI**), Interruptible Sales Service (**IS**), Contract Service (**CS**), Supplemental Interruptible Service (**SIS**), and Interruptible Transportation Service (**ITS**).

Family Service (MFS) rate schedule with Rate GDS. Overall, the Company's proposed tariff would include a total of thirteen (13) rate schedules.

Q. Do you agree with the Company's decision to cancel Rate IPS?

A. Yes, since the rate schedule is currently closed to new customers and there are zero customers served on the rate schedule at the present time.

Q. Why is Elizabethtown proposing to consolidate Rate TC with Rate GDS?

A. Rate TC is available for heating and water heating service for hospitals, nursing homes, schools, government buildings, religious institutions, apartment houses and commercial buildings, provided that such installations maintain alternate fuel capability.[2] At present, Rate TC is closed to new customers, and serves only three (3) customers.

The Company began the process of consolidating Rates TC and MFS with Rate GDS in its last base rate proceeding. In the Company's view, consolidating Rate TC with Rate GDS "will further the transition of commercial and industrial customers to the SGS and GDS rate schedules that was begun in the last proceeding."

Q. Mr. Kalcic, do you agree with the Company's proposal to consolidate Rate TC with Rate GDS at this time?

[2] Rate TC customers are required to switch to an alternate fuel under certain outdoor ambient temperature conditions, as directed by the Company.

A. Yes. In essence, Rate TC is available only for specific end uses. While special end-use rates were once prevalent in both the natural gas and electric industries, regulatory authorities have, in general, moved away from this practice in recent times.

In this instance, Elizabethtown serves only three (3) customers on Rate TC. Combining the end-use nature of the rate schedule with the fact that so few customers remain on the rate, I conclude that it is reasonable to consolidate Rate TC in this proceeding.

Q. Do you have any other comment on the Company's proposal to move toward the consolidation of Rates MFS and GDS?

A. Yes. The Company proposes to reduce the existing per therm delivery price differential between Rates MFS and GDS in this case, so as to continue toward the goal of rate consolidation. However, given the magnitude of Rate Counsel's recommended revenue decrease in the proceeding, I find it is feasible to *complete* the consolidation of Rate MFS and GDS at the conclusion of this case. I will discuss my recommended rate design in detail, later in my testimony.

II. Cost of Service Study

Q. Mr. Kalcic, please provide a general description of the cost-of-service analysis submitted by the Company in this proceeding.

A. Company witness Daniel P. Yardley prepared a fully allocated cost-of-service study ("COSS") using weather-normalized costs and billing determinants reflective of the Company's as filed (i.e., original) requested increase of $24.8 million.

The primary purpose of the cost-of-service study ("COSS") is to assign the Company's (base rate) revenue requirement to rate classes. To that end, the Company's COSS methodology reflects the traditional three-step process of functionalization, classification and allocation. *Functionalization* refers to the process whereby utility plant and related expenses are assigned to functions, such as production, transmission, storage or distribution. *Classification* refers to the process where the functionalized costs are broken down into cost categories, such as capacity-, commodity-, or customer-related costs. Finally, *allocation* refers to the process whereby the utility's classified costs are assigned to rate classes, based upon a factor that reflects a causal relationship between a given class and the utility's cost incurrence.

Q. What rate classes are included in the Company's COSS?

A. The COSS allocates costs to seven (7) firm classes: 1) Residential Heating; 2) Residential Non-heating; 3) SGS; 4) GDS; 5) MFS; 6) Electric Generation Firm (EGF); and 7) Firm Transportation Service (FTS). In addition, Elizabethtown's COSS includes

one (1) non-firm customer grouping that aggregates all of the Company's interruptible customers.

Q. Does the Company propose to consolidate its non-firm rate classes in this case?

A. No. The Company's non-firm customers have the ability to switch to an alternative fuel in the case of an interruption (or if the rates charged for gas service are not competitive with a customer's alternative fuel option). As such, the rates charged to interruptible customers are typically based on value of service rather than embedded cost considerations. In recognition of the value of service character of non-firm service, the Company's non-firm rate classes were grouped together in the COSS.

Q. How does Elizabethtown allocate the cost of distribution mains to rate classes?

A. The Company's COSS study splits distribution mains into demand- and customer-related components, based upon a minimum-size study. In particular, distribution mains are classified as 53% demand-related and 47% customer-related. Elizabethtown employs a design day (coincident peak) demand allocator to assign the demand-related portion of distribution mains to rate classes. The customer-related portion of distribution mains is allocated to rate classes based on the number of customers in each class.

Q. What does the Company's COSS indicate with respect to the relative contribution toward allocated cost of Elizabethtown's firm rate classes?

A. The Company's COSS shows that the residential, SGS and EGF rate classes are under-contributing, and that the GDS, MFS and FTS classes are over-contributing.

Q. Mr. Kalcic, did you request that the Company rerun its COSS in this proceeding using an alternative methodology?

A. Yes, I did. Since costs related to distribution mains typically constitute the single largest component of a gas utility's revenue requirement, I requested (in RCR-RD-7) that the Company rerun its COSS with Elizabethtown's distribution mains classified as 100% demand-related. In my experience, this alternative approach with respect to the allocation of distribution mains is widely accepted, and viewed as a reasonable alterative to the Company' s methodology. As such, the results provided in RCR-RD-7 provide a test of the sensitivity of the Elizabethtown's COSS results to the choice of a distribution mains allocator.

Q. Have you compared the class rates of return under the Company's COSS methodology to those produced by the alternative methodology contained in RCR-RD-7?

A. Yes. Table 1 below shows the class rates of return at present rates under the two (2) COSSs.

Table 1
Class Rates of Return at Present Rates

Class	*Company COSS*	*Alternative COSS*
Residential Heating	-0.38%	0.59%
Residential Non-Heating	-13.22%	-11.42%
SGS	3.03%	4.03%
GDS	33.49%	21.97%
MFS	23.23%	14.57%
EGF	4.56%	-1.69%
FTS	22.33%	8.93%
Total Company	5.37%	5.37%

Source: Attachment 1 of Schedule DPY-7 & RCR-RD-7.

Q. What do you conclude from Table 1?

A. While the absolute magnitude of the class rates of return differs across the two (2) studies, the overall conclusions (with regard to under- and over-contributing classes) that I previously discussed are unchanged. As such, I conclude that it is appropriate to assign non-uniform rate decreases to customer classes in this proceeding.

Q. Have you utilized the results shown in Table 1 as a general guide in allocating Mr. Henkes' recommended revenue adjustment to rate classes?

A. Yes, I have.

III. Class Revenue Distribution / Rate Design

Q. Mr. Kalcic, how does Elizabethtown propose to recover its original requested base revenue increase of $24.8 million from ratepayers?

A. Schedule BK-1 summarizes the Company's proposed increases in class delivery or margin revenues. The Company's filed overall requested system average increase in margin revenues is 18.3% (per line 13 of Schedule BK-1). Excluding the TC class, Schedule BK-1 shows that the proposed delivery revenue increases to the Company's firm service classes would range from 4.5% for the FTS class to 24.2% for the RDS, SGS and EGF classes.

Q. How did Elizabethtown arrive at the proposed revenue distribution shown in Schedule BK-1?

A. As discussed by Mr. Yardley on pages 31 and 32 of his direct testimony, the Company used its COSS results as a general guide in developing its proposed revenue allocation. More specifically, in order to moderate potential rate impacts, Mr. Yardley assigned those classes deemed to be over-contributing (GDS, MFS and FTS) an increase of one-half the system average or 9.1%. The Gas Lights Service (GLS) class was assigned the system average increase, and the under-contributing classes (RDS, SGS and EGF) were assigned the residual increase necessary to obtain the Company's requested revenue requirement.

Q. Have you utilized the Company's proposed relative class increases shown in column 5 of Schedule BK-1 to apportion Rate Counsel's recommended revenue adjustment in this proceeding?

A. No. Since Rate Counsel is recommending an overall *decrease* in base rates in this proceeding, the relative revenue adjustments shown in Schedule BK-1 are not appropriate.

Q. What is your recommended class revenue allocation?

A. I recommend that Mr. Henkes' recommended revenue adjustment be allocated to rate classes as shown in column 3 of Schedule BK-2.

Q. How did you derive your recommended class revenue adjustments?

A. My recommended allocation was completed in four (4) steps. First, I assigned a target decrease of 2.0 times the system average decrease in rate revenues of 9.8% to the Company's over-contributing classes.[3] Specifically, the GDS, MFS and FTS classes were assigned a base rate decrease of approximately 19.6%.[4] Second, I determined that the Company's non-firm rate classes should receive no decrease, since the rates paid by these classes are based primarily on value-of-service (rather than cost-of-service) considerations. Third, since cost-of-service information is not available for the GLS class, I assigned a system average decrease of 9.8% to GLS customers. Fourth, in order

[3] Rate Counsel's recommended system average decrease in rate revenues is 9.8%, as shown on line 12 of Schedule BK-2.

to achieve Rate Counsel's recommended decrease of $13.435 million, I assigned the residual decrease of approximately 6.4% to the remaining (under-contributing) RDS, SGS and EGF classes.

Q. Lines 3-5 of Schedule BK-2 indicate that the individual revenue adjustments assigned to the GDS, TC and MFS classes would vary from a decrease of 20.1% to an increase of 109.4%. Why have you assigned such disparate rate adjustments to these customers?

A. First, one must recognize that the revenue adjustments shown for the GDS, TC and MFS classes are the *result* of rate consolidation. In other words, I did not "assign" the specific "subclass" revenue adjustment outcomes shown on lines 3-5, only the total GDS revenue target shown on line 6. Second, the process of rate consolidation necessarily involves the "averaging" of individual rates. The fact that TC customers would receive a large increase under my proposal is an indication that these customers are currently paying rates that, on average, are *much* lower than the current rates paid by GDS (or MFS) customers.

Q. Would you please summarize your recommended revenue allocation?

A. Yes. As shown in Schedule BK-2, my recommended revenue decreases to the firm delivery classes range from 6.4% to 20.1%, or approximately 0.65 to 2.0 times the

[4] As discussed below, while the overall decrease assigned to the GDS and MFS classes is 19.6% in Schedule BK-2, the *individual* decreases pertaining to these classes (including Rate TC) are a function of Rate Counsel's proposal to consolidate such rates at the conclusion of this proceeding.

system average decrease in rate revenues. Consistent with the cost-of-service evidence in this proceeding, the maximum decrease is assigned to the GDS and FTS classes, while the minimum decrease is assigned to RDS, SGS and EGF classes.

Q. Mr. Kalcic, have you designed a set of rates to implement your recommended revenue allocation?

A. Yes, I have.

Q. What is the total level of pro-forma margins utilized in your recommended rate design?

A. The starting point for my recommended rate design is $139.537 million in pro-forma margins at current rates as shown on line 8 of Schedule BK-3. This total exceeds the level of pro-forma margins utilized in the Company's filed rate design of $135.637 million (per line 6 of Schedule BK-3) million due to the additional (therm) sales associated with Mr. Henkes' recommended revenue adjustments.

Q. What is shown in Schedule BK-4?

A. Schedule BK-4 presents my recommended rate design and proof of revenue, following the same general format as Mr. Yardley's Schedule DPY-9.

Q. Mr. Kalcic, please identify the source of the class billing determinants shown in Schedule BK-4.

A. The class billing determinants shown in Schedule BK-4 are taken from the Company's response to RCR-RD-15. These billing determinants produce Mr. Henkes' recommended level of pro-forma margins (at present rates) of $139.537 million (per line 1 of Schedule RJH-11).

Q, Please explain how you developed your recommended customer charges.

A. The cost-of-service evidence in this case suggests that the Company's customer charges are below cost of service. In order to move such charges toward cost (in the context of Rate Counsel's overall recommended decrease of 9.8%), I assigned a zero percent decrease to all of the Company's existing customer charges.

Q. How did you determine your recommended adjustments to the individual RDS tariff components shown on page 1 of Schedule BK-4?

A. As with all classes, I left the current customer charge unchanged, and recovered the balance of the targeted class revenue requirement from the remaining delivery service charges. In the case of RDS, I set the existing distribution service charges at a uniform rate of $0.2582 per therm, and maintained the air conditioning (A/C) discount at the current level.

As shown on page 1 of Schedule BK-4, my recommended RDS rate design would eliminate the current declining block rate structure. The Company's current RDS rate schedule includes a volumetric rate of $0.3431 per therm for the initial rate block of (up to) 35 therms per month, and a rate of $0.2495 per therm for the second

usage block of over 35 therms per month. I am recommending a per therm decrease in the initial rate block (up to 35 therms per month) from $0.3431 to $0.2582, or 24.7%. The second RDS rate block (usage over 35 therms) would increase from $0.2495 to $0.2582, or 3.5%. under my proposal

Q. Does Elizabethtown also propose to establish a uniform delivery service volumetric rate for (non-A/C) RDS usage?

A. Yes. As Mr. Yardley explains on page 35 of his direct testimony, the Company agreed to eliminate at least 50% of the rate discount for usage over 35 therms per month in this case, as part of a settlement in Docket No. GR02040245. The Company's actual proposal eliminates 100% of the rate discount.

Q. Please discuss how you developed your recommended rate design for the SGS service class.

A. I left the current customer charge unchanged, and reduced the SGS per therm delivery charges proportionally in order to recover the balance of the assigned SGS class revenue requirement.

Q. Please explain how you determined your recommended rates for the consolidated GDS class.

A. As shown on page 1 of Schedule BK-4, the GDS, TC and MFS classes currently pay the same customer charge of $15.06 per month (excluding taxes). As a first step, I kept the

customer charge at $15.06, and applied the residual decrease to the Company's existing demand and volumetric *revenues* in order to establish corresponding demand and volumetric revenue targets. Next, I divided the demand and volumetric revenue targets by the consolidated class demand and volumetric billing determinants, respectively, in order to arrive the consolidated charges shown on page 1 of Schedule BK-4.

Q. How did you develop your recommended rates for the EGF and FTS classes shown on page 2 of Schedule BK-4?

A. In each case, the existing customer charge was unchanged and the required residual decrease was applied proportionately to the Company's existing demand and volumetric delivery charges.

Q. How did you determine your recommended GLS rate shown on page 2 of Schedule BK-4?

A. The Company's current GLS rate schedule consists of a single (fixed) service charge. Since Rate GLS contains only one (1) rate component, I applied 100% of the require decrease to the existing service charge.

Q. Mr. Kalcic, please discuss your recommended rate design for the Company's non-firm rate classes shown on page 3 of Schedule BK-4.

A. As previously discussed, I assigned no decrease to any interruptible service classes. Accordingly, all of the Company's existing interruptible service charges are unchanged in Schedule BK-4.

Q. Do you recommend any change to Elizabethtown's current Miscellaneous Service charges?

A. No. The Company is proposing to leave such charges unchanged, and I recommend that the Board adopt the Company's proposal in this area.

IV. Proposed Revenue Decoupling Mechanism

Q. Mr. Kalcic, please provide a brief description of the Company's proposed Rider E.

A. The stated purpose of Rider E is to break the link between the Company's recovery of base revenues and customer usage. As such, Rider E would permit the Company to recover a separate EUA surcharge (or credit) from all customers in Elizabethtown's RDS, SGS, GDS and MFS classes. Each month, Elizabethtown would track the difference between actual margin revenue per customer ("ARC") and normalized revenue per customer ("NRC"), by service class. Such differences would be multiplied by the actual bills issued each month to derive a monthly margin revenue excess or deficiency, which would be summed over the twelve (12) month period ("Annual Period") ending April 30th of each year.[5]

[5] NRC would be based upon the expected margin revenue per customer, by month, by class, as determined in the Company's most recent base rate proceeding.

At the end of the Annual Period, the annual margin revenue deficiency or excess, by class, would be divided by forecast "recovery year" volumes to arrive at the EUA surcharge or credit applicable to each rate class. The resulting EUA would apply to all therms (as a surcharge or credit) for the duration of the recovery year beginning on October 1st following the applicable Annual Period. Subsequent EUA calculations would include any necessary true-ups from prior Annual Periods.

Q. Would Rider E apply solely to such usage changes that might result from the Company's energy efficiency initiatives?

A. No. By definition, Rider E would track the revenue impact associated with any and all changes in customer usage. Such usage changes could be the result of conservation programs, weather, economic conditions or general price elasticity impacts over time. Whatever the source of usage changes, Elizabethtown would be made whole for the impact of such changes on its base revenues between base rate proceedings.

Q. Is Rider E equitable to ratepayers?

A. No. Rider E would significantly mitigate the Company's business risk without providing any commensurate reduction in Elizabethtown's allowed return on equity ("ROE").

Q. What is your recommendation in this area?

A. I would recommend that the BPU reject the Company's proposed EUA adjustment mechanism, as further explained it the testimony of Rate Counsel witness Richard W. LeLash.

Q. Does this conclude your direct testimony?

A. Yes.

SCHEDULES

Elizabethtown Gas

Schedule BK-1

Company Proposed Allocation of its
Requested Increase in Delivery Revenues 1/

Line	Description	Present Delivery Revenue	Proposed Delivery Revenue	Increase		
				Amount	%	Ratio
		(1)	(2)	(3)	(4)	(5)
1	Residential - RDS	$ 81,718,749	$ 101,455,324	$ 19,736,575	24.2%	130
2	Small General Service - SGS	5,100,533	6,332,212	1,231,679	24.1%	129
3	General Service - GDS	32,353,610	35,307,746	2,954,136	9.1%	49
4	Temperture Control - TC	6,869	20,606	13,737	200.0%	1,072
5	Multi-Family Service - MFS	1,565,913	1,808,521	242,608	15.5%	83
6	Electric Generation Firm Service - EGF	41,950	52,102	10,152	24.2%	130
7	Firm Transportation Service - FTS	4,215,437	4,406,015	190,578	4.5%	24
8	Gas Lights Service -GLS	12,501	14,794	2,293	18.3%	98
9	Subtotal Firm	$ 125,015,562	$ 149,397,320	$ 24,381,758	19.5%	105
10	Non-Firm / Special Contracts	8,045,380	8,479,204	433,824	5.4%	29
11	Total Firm and Interruptible Margins	$ 133,060,942	$ 157,876,524	$ 24,815,582	18.6%	100
12	Miscellaneous Revenues	2,576,469	2,576,469	0	0.0%	
13	Total Margin Revenues	$ 135,637,411	$ 160,452,993	$ 24,815,582	18.3%	

Source: Schedule DPY-9

Notes:

1/ As filed (3+9) position.

Elizabethtown Gas

Schedule BK-2

Rate Counsel Allocation of its
Recommended Adjustment in Delivery Revenues

Line	Description	Present Delivery Revenue	Recommended Delivery Revenue	Recommended Increase		
				Amount	%	Ratio
		(1)	(2)	(3) = (2)-(1)	(4)=(3)/(2)	(5)
1	Residential - RDS	$ 84,217,573	$ 78,798,826	$ (5,418,748)	-6.43%	66
2	Small General Service - SGS	5,319,046	4,977,347	(341,698)	-6.42%	65
3	General Service - GDS	33,206,800	26,524,275	(6,682,526)	-20.12%	205
4	Temperture Control - TC 1/	6,869	14,381	7,512	109.37%	(1,115)
5	Multi-Family Service - MFS 1/	1,706,396	1,535,630	(170,766)	-10.01%	102
6	Subtotal Consolidated GDS	$ 34,920,065	$ 28,074,286	$ (6,845,779)	-19.60%	200
7	Electric Generation Firm Service - EGF	41,950	39,270	(2,681)	-6.39%	65
8	Firm Transportation Service - FTS	4,213,883	3,387,389	(826,493)	-19.61%	200
9	Gas Lights Service -GLS	12,088	10,913	(1,176)	-9.72%	99
10	Subtotal Firm	$ 128,724,605	$ 115,288,030	$ (13,436,575)	-10.44%	106
11	Non-Firm / Special Contracts	8,236,010	8,236,010	0	0.00%	0
12	Total Firm and Interruptible Margins	$ 136,960,615	$ 123,524,041	$ (13,436,575)	-9.81%	100
13	Miscellaneous Revenues	2,576,470	2,576,470	0	0.00%	
14	Total Margin Revenues	$ 139,537,085	$ 126,100,511	$ (13,436,575)	-9.63%	

-$13,434,861 Target
-$1,714 Rounding

Source: RCR-RD-15 Sch. BK-4

Notes:

1/ To be consolidated with GDS.

Elizabethtown Gas

Pro-Forma Adjusted Margin Revenue Positions
($000)

Line	Description	Elizabethtown Gas Pro-Forma Adjusted Margin Revenue /1 (1)	RC Recommended Pro-Forma Adjusted Margin Revenue (2)
1	Total Revenues	$ 526,691	$ 547,611
	less:		
2	Gas Costs	376,482	392,834
3	TEFA	7,148	7,549
4	CEP & RAC Revenues	7,423	7,691
5	Gross Margins	$ 135,637	$ 139,537
	Pro-Forma Gross Margins Used in Rate Design		
6	Schedule DPY-9	$ 135,637	
7	Difference	$ 0	
8	Schedule BK-4		$ 139,537
9	Difference		$ 0
	Source:	RCR-RD-1(d)	EG 6+6 Revenue Forecast Model @ 30-Year Weather Normalization (RAR-A-76.2) & RCR-RD-15

Notes:
1/ As filed (3+9) position.

Elizabethtown Gas
Rate Counsel Recommended Rates
and Proof of Revenue

	Billing Units	Present Base Rates Rate	Present Base Rates Revenue	Recommended Base Rates Rate	Recommended Base Rates Revenue	Increase
	(1)	(2)	(3)	(4)	(5)	(6)
FIRM CUSTOMER CLASSES						
Residential - RDS		RDS		RDS		
Customer	3,023,415	$ 7.05	$ 21,315,076	$ 7.05	$ 21,315,076	
Distribution Service						
First 35 therms	78,684,703	$ 0.3431	$ 26,996,722	$ 0.2582	$ 20,316,390	
All over 35 therms	144,282,100	$ 0.2495	35,998,384	$ 0.2582	37,253,638	
Air Conditioning	21,397	$ 0.1397	2,989	$ 0.1484	3,175	
Revenue Adjustment	-		(95,597)		(89,454)	
Total Base Revenues			**$ 84,217,573**		**$ 78,798,826**	-6.43%
Small General Service - SGS		SGS		SGS		
Customer	143,787	$ 15.06	$ 2,165,432	$ 15.06	$ 2,165,432	
Distribution Service						
All therms	11,352,100	$ 0.2778	$ 3,153,613	$ 0.2477	$ 2,811,915	
Air Conditioning	0	$ 0.1050	-	$ 0.0749	-	
Total Base Revenues			**$ 5,319,046**		**$ 4,977,347**	-6.42%
General Delivery Service - GDS		GDS		GDS		
Customer	105,114	$ 15.06	$ 1,583,017	$ 15.06	$ 1,583,017	
Demand	12,798,400	$ 0.76	$ 9,675,590	$ 0.60	$ 7,679,040	
Distribution Service						
All therms	120,462,024	$ 0.1822	$ 21,948,181	$ 0.1433	$ 17,262,208	
Sm. A/C, Dist. Gen.	0	$ 0.1050	-	$ 0.0834	-	
Lg. A/C, Dist. Gen.	305	$ 0.0406	12	$ 0.0322	10	
Total Base Revenues			**$ 33,206,800**		**$ 26,524,275**	-20.12%
Temperature Control - TC		TC		GDS		
Customer	36	$ 15.06	$ 542	$ 15.06	$ 542	
Demand	13,176	$ 0.32	$ 4,190	$ 0.60	$ 7,906	
Distribution Service						
All therms	41,405	$ 0.0516	$ 2,136	$ 0.1433	$ 5,933	
Total Base Revenues			**$ 6,869**		**$ 14,381**	109.37%
Multi-Family Service - MFS		MFS		GDS		
Customer	5,114	$ 15.06	$ 77,017	$ 15.06	$ 77,017	
Demand	717,536	$ 0.76	$ 542,457	$ 0.60	$ 430,522	
Distribution Service						
All therms	7,174,400	$ 0.1515	$ 1,086,922	$ 0.1433	$ 1,028,092	
Lg. A/C, Dist. Gen.	0	$ 0.0406	-	$ 0.0322	-	
Total Base Revenues			**$ 1,706,396**		**$ 1,535,630**	-10.01%

Elizabethtown Gas
Rate Counsel Recommended Rates
and Proof of Revenue

	Billing Units	Present Base Rates		Recommended Base Rates		
		Rate	Revenue	Rate	Revenue	Increase
	(1)	(2)	(3)	(4)	(5)	(6)
		check				
FIRM CUSTOMER CLASSES - continued						
Electric Generation Firm Service - EGF						
		EGF		EGF		
Customer	72	$ 34.10	$ 2,455	$ 34.10	$ 2,455	
Demand	50,040	$ 0.74	$ 37,030	$ 0.69	$ 34,528	
Distribution Service	357,300	$ 0.0069	$ 2,465	$ 0.0064	$ 2,287	
Total Base Revenues			**$ 41,950**		**$ 39,270**	-6.39%
Large Volume Demand - LVD						
		LVD		LVD		
Customer	0	$ 443.21	$ -	$ 443.21	$ -	
Demand	0	$ 0.97	$ -	$ 0.97	$ -	
Distribution Service	0	$ 0.0346	$ -	$ 0.0346	$ -	
Total Base Revenues			**$ -**		**$ -**	-
Firm Transportation Service - FTS						
		FTS		FTS		
Customer	504	$ 64.59	$ 32,553	$ 64.59	$ 32,553	
Demand	2,891,904	$ 0.76	$ 2,186,279	$ 0.61	$ 1,755,386	
Distribution Service	34,103,420	$ 0.0585	$ 1,995,050	$ 0.0469	$ 1,599,450	
Total Base Revenues			**$ 4,213,883**		**$ 3,387,389**	-19.61%
Gas Lights Service - GLS						
		GLS		GLS		
Service Charge (per light)	2,218	$ 5.45	$ 12,088	$ 4.92	$ 10,913	
Distribution Service	32,379	$ -	$ -	$ -	$ -	
Total Base Revenues			**$ 12,088**		**$ 10,913**	-9.72%
TOTAL FIRM BASE REVENUES			**$ 128,724,605**		**$ 115,288,030**	-10.44%

Elizabethtown Gas
Rate Counsel Recommended Rates
and Proof of Revenue

	Billing Units	Present Base Rates Rate	Present Base Rates Revenue	Recommended Base Rates Rate	Recommended Base Rates Revenue	Increase
	(1)	(2)	(3)	(4)	(5)	(6)
NON-FIRM CUSTOMER CLASSES						
Interruptible Sales Service - IS						
		IS		IS		
Customer	24	$ 322.53	$ 7,741	$ 322.53	$ 7,741	
Demand	163,428	$ 0.0760	$ 12,421	$ 0.0760	$ 12,421	
Total Base Revenues			**$ 20,161**		**$ 20,161**	0.00%
Interruptible Cogeneration Sales Service - IS-CSI						
		IS-CSI		IS-CSI		
Customer	12	$ 99.80	$ 1,198	$ 99.80	$ 1,198	
Demand	0	$ -	$ -	$ -	$ -	
Total Base Revenues			**$ 1,198**		**$ 1,198**	0.00%
Interruptible Transport Service - ITS-IS						
		ITS-IS		ITS-IS		
Customer	216	$ 503.96	$ 108,855	$ 503.96	$ 108,855	
Demand	522,468	$ 0.0760	$ 39,708	$ 0.0760	$ 39,708	
Total Base Revenues			**$ 148,563**		**$ 148,563**	0.00%
Interruptible Cogeneration Transport Service - ITS-CSI						
		ITS-CSI		ITS-CSI		
Customer	0	$ 503.96	$ -	$ 503.96	$ -	
Demand	0	$ -	$ -	$ -	$ -	
Total Base Revenues			**$ -**		**$ -**	-
Interruptible LVD Sales Service - ITS-LVD						
		ITS-LVD		ITS-LVD		
Customer	492	$ 503.96	$ 247,948	$ 503.96	$ 247,948	
Demand	4,962,948	$ 0.293	$ 1,454,144	$ 0.293	$ 1,454,144	
Distribution Service	35,098,678	$ 0.0791	$ 2,776,305	$ 0.0791	$ 2,776,305	
Subotal			**$ 4,478,398**		**$ 4,478,398**	0.00%
Special Contracts	47,687,636		**$ 2,589,538**		**$ 2,589,538**	0.00%
Total Base Revenues	82,786,314		**$ 7,067,936**		**$ 7,067,936**	0.00%
TOTAL NON-FIRM BASE REVENUES			**$ 7,237,857**		**$ 7,237,857**	0.00%
Other Revenues						
Special Contracts			**$ 998,153**		**$ 998,153**	
Service Charges			2,576,470		2,576,470	
Total Other Revenues			**$ 3,574,623**		**$ 3,574,623**	
TOTAL BASE & OTHER REVENUES			139,537,085		126,100,511	-9.63%
				INCREASE	**$ (13,436,575)**	
				TARGET INCREASE	**$ (13,434,861)**	
				Difference	**$ (1,714)**	

APPENDIX

APPENDIX

Qualifications of Brian Kalcic

Mr. Kalcic graduated from Illinois Benedictine College with a Bachelor of Arts degree in Economics in December, 1974. In May, 1977 he received a Master of Arts degree in Economics from Washington University, St. Louis. In addition, he has completed all course requirements at Washington University for a Ph.D. in Economics.

From 1977 to 1982, Mr. Kalcic taught courses in economics at both Washington University and Webster University, including Microeconomic and Macroeconomic Theory, Labor Economics and Public Finance.

During 1980 and 1981, Mr. Kalcic was a consultant to the Equal Employment Opportunity Commission, St. Louis District Office. His responsibilities included data collection and organization, statistical analysis and trial testimony.

From 1982 to 1996, Mr. Kalcic joined the firm of Cook, Eisdorfer & Associates, Inc. During that time, he participated in the analysis of electric, gas and water utility rate case filings. His primary responsibilities included cost-of-service and economic analysis, model building, and statistical analysis.

In March 1996, Mr. Kalcic founded Excel Consulting, a consulting practice that offers business and regulatory analysis.

Mr. Kalcic has previously testified before the state regulatory commissions of Delaware, Kansas, Kentucky, Maine, Massachusetts, Minnesota, Missouri, New Jersey, New York, Ohio, Oregon, Pennsylvania, and Texas, and also before the Bonneville Power Administration.