PUBLIC VERSION

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

In the Matter of the Merger of Southern Company and AGL Resources, Inc.	))	**BPU Docket No. GM15101196**

DIRECT TESTIMONY OF JOHN A. ROSENKRANZ
ON BEHALF OF DIVISON OF RATE COUNSEL

STEFANIE A. BRAND, ESQ.
DIRECTOR, DIVISION OF RATE COUNSEL

140 East Front Street, 4th Floor
P.O. Box 003
Trenton, New Jersey 08625-0003

Phone: (609)984-1460
Email: njratepayer@rpa.state.nj.us

Filed: March 11, 2016

PUBLIC VERSION

TABLE OF CONTENTS

I. STATEMENT OF QUALIFICATIONS

Q. Would you please state your name, position, and business address.

A. My name is John Rosenkranz. I am an independent consultant affiliated with Synapse Energy Economics, Inc. Synapse is an energy consulting company located at 485 Massachusetts Avenue, Cambridge, Massachusetts.

Q. On whose behalf are you submitting testimony in this proceeding?

A. I am submitting testimony on behalf of the New Jersey Division of Rate Counsel ("Rate Counsel").

Q. Please describe your professional background.

A. My experience is summarized in my resume, which is attached as **Attachment JAR-1**. I have more than 30 years of experience in the areas of natural gas supply planning, gas pipeline and storage project development, and fuel supply for gas-fired power generation. During my employment with Calpine Corporation I was responsible for arranging and managing the natural gas supply for power plants in the United States and Canada. In recent years I have been an expert witness in pipeline expansion cases, cost of gas reviews, and long-term gas contract approval proceedings

Q. Please describe your experience in New Jersey energy matters.

A. In the last four years, I have worked with Rate Counsel on a number of cases before the New Jersey Board of Public Utilities ("BPU" or the "Board"). These include Basic Gas Supply Service ("BGSS") annual reviews filed by New Jersey Natural Gas Company, South Jersey Gas Company ("SJG"), and Pivotal Utility

Holdings, Inc. d/b/a Elizabethtown Gas ("ETG"), and cases concerning asset management agreements entered into by SJG and ETG.

Q. Please describe your educational background.

A. I have a Bachelor of Arts degree in economics from George Washington University. I also completed all course requirements for a Ph.D. in economics from Northwestern University.

Q. Have you previously testified before utility regulatory agencies?

A. Yes. I have previously testified before the Maine Public Utilities Commission, the New Hampshire Public Service Commission, the Ontario Energy Board, the Arizona Corporation Commission, the Wisconsin Public Service Commission and the Minnesota Public Utilities Commission. I have also filed testimony before the Federal Energy Regulatory Commission.

II. PURPOSE AND SUMMARY

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to examine whether the proposed merger of AGL Resources Inc. ("AGLR") and The Southern Company ("Southern") could harm ETG's ratepayers by reducing the payments that ETG receives under the Asset Management Agreement ("AMA") with its affiliate Sequent Energy Management, L.P. ("SEM"). Under the AMA, ETG's ratepayers receive a share of the margins that SEM obtains using ETG's natural gas supply assets. Because these AMA payments lower ETG's cost of gas, a reduction in AMA payments would cause the Periodic BGSS ("BGSS-P") charge to be higher, which would increase costs for residential and small commercial customers who purchase gas from ETG. Based on the results of my examination, I recommend conditions that should be put in place to prevent harm to ETG ratepayers if the merger is approved by the Board.

Q. **What is your understanding of the Board's standard for the review of merger proposals?**

A. I have been advised by counsel that under New Jersey's change in ownership and control statute, N.J.S.A. 48:2-51.1, the Board is required to "… evaluate the impact of the acquisition on competition, on the rates of the ratepayers affected by the acquisition of control, on the employees of the affected public utility or utilities, and on the provision of safe and adequate service at just and reasonable rates." As interpreted in the Board's regulations in N.J.A.C. 14:1-5.14(c) proposed mergers must meet the following standard:

> The Board shall not approve a merger, consolidation, acquisition and/or change in control unless it is satisfied that positive benefits will flow to customers in the State of New Jersey and, at a minimum, that there are no adverse impacts on any of the criteria delineated in N.J.S.A. 48:2-5.1.

In my testimony I will discuss whether the proposed merger could result in adverse impacts in two of the areas listed in N.J.A.C. 48:2-41: (1) the rates paid by the affected ratepayers, and (2) the provision of safe and adequate service at just and reasonable rates. I understand that Rate Counsel's other witnesses address other matters in this proceeding.

Q. **Please summarize your findings and recommendations.**

A. The proposed merger between AGLR and Southern (the "Joint Petitioners") creates a risk that SEM could use ETG's natural gas supply assets to supply natural gas to gas-fueled electric generation units that are owned or operated by affiliates of Southern under terms that are favorable to these affiliates, even though higher margins could have been obtained in transactions with unaffiliated entities. This could result in lower payments from SEM to ETG under the AMA, and higher costs for ETG's Periodic BGSS customers. To address this risk and prevent harm to ETG ratepayers I recommend that, if the merger is approved by the Board, SEM should be prohibited from using ETG's gas assets to supply natural gas to an affiliated power generation facility during the remaining term of the existing AMA. In addition, ETG should also be prohibited from entering into any future gas asset management agreements with an affiliate after the current AMA expires.

III. ASSET MANAGEMENT AGREEMENT

Q. Please explain how ETG obtains natural gas for its BGSS customers.

A. ETG holds long-term contracts for pipeline transportation and gas storage services in order to maintain a reliable supply of natural gas at reasonable cost for delivery to its distribution customers in New Jersey. ETG's portfolio of gas supply assets includes long-haul pipeline transportation capacity from the Gulf Coast producing areas and contracts to transport gas from gas production and storage locations in the Northeast. New Jersey gas distributors have traditionally purchased most of their gas requirements in the Gulf Coast, and used underground storage facilities in the Appalachian area to augment supplies in the winter. The rapid growth of shale gas production in recent years caused by new "fracking" technology has led to dramatic changes in natural gas prices and pipeline flow patterns throughout North America. Because gas production from the Marcellus Shale producing region in Pennsylvania and West Virginia has caused prices in the Marcellus producing areas to decrease sharply relative to Gulf Coast prices, a large share of the natural gas consumed in New Jersey now comes from the Marcellus Shale producing states.

ETG's principal pipeline supplier is Transcontinental Gas Pipe Line ("Transco"). The Transco mainline runs from Texas and Louisiana, through Georgia and the Carolinas, to New Jersey and New York City. The Transco Leidy Line, which extends from Pennsylvania to New Jersey, provides direct access to the Marcellus Shale gas producing area. Transco's ability to transport relatively low-cost shale gas from Northeast producing areas to the Southeast market area, where the demand for natural gas to fuel power generation is expanding, is one factor that is increasing the demand for firm transportation capacity on the Transco system.

Q. Please explain how gas distribution companies manage their gas assets to reduce costs for their ratepayers.

A. Because the cost of operating a natural gas pipeline is mainly tied to the investment in pipe and compressor stations, pipelines recover most of their costs through fixed monthly charges for the transportation capacity that shippers reserve on their systems. To reduce the impact of these fixed charges on the rates they charge to their sales customers, gas distributors try to utilize or remarket capacity when it is not needed to supply gas to their on-system customers. These optimization activities include off-system sales, which involves the purchase of gas for sale to gas marketers or end users at points outside the distributor's market area, and capacity release, in which the rights to use a portion of the pipeline capacity that the distributor has under contract are temporarily transferred to another shipper. The margins from off-system sales and the pipeline credits from capacity releases are passed through to customers.

Q. Please describe the AMA between ETG and SEM.

A. Instead of managing all of its gas supply assets in-house, ETG has chosen to enter into an asset management arrangement with SEM. SEM—a wholly-owned subsidiary of AGLR and an ETG affiliate—is a wholesale energy marketing and trading company that offers asset management services to utilities, marketers, and large industrial gas users. SEM currently provides ETG with both gas supply and capacity management services related to ETG's long-term contracts for pipeline transportation service and gas storage capacity. Under the terms of the AMA, ETG has given SEM control of most of its gas transportation and storage contracts, and SEM supplies natural gas to meet ETG's customer sales requirements. SEM is obligated to supply the quantities of natural gas that ETG nominates, but SEM does not have to physically deliver the gas using the ETG assets.

The margins that SEM generates from optimizing ETG's gas supply assets are shared between SEM and ETG based on a formula specified in the AMA. The current five-year AMA, which expires March 31, 2019, was approved by the Board on March 19, 2014 in Docket No. GO13040272.

Q. Are these AMA credits important to ETG ratepayers?

A. Yes they are. In recent years the AMA credits that SEM pays to ETG have significantly reduced the Periodic BGSS rates that are charged to gas sales customers. The growth of Marcellus Shale production has increased the value of ETG's gas transportation capacity generally, and freed up ETG pipeline capacity in the Southeast for off-system gas management transactions. For the year ending September 30, 2015, using information from ETG's most recent BGSS review proceeding, I estimate that ETG's share of the AMA margin was approximately $28.6 million, which reduced ETG's total gas supply costs for the period by more than 15 percent. Attached as Schedule JAR-1 are the relevant pages of ETG's response to a Rate Counsel discovery request in the BGGS proceeding.[1]

Q. Are there other companies that could provide the asset management services that ETG currently obtains from SEM?

B. Yes. It has become very common for natural gas distribution companies to contract with gas producing and marketing companies to manage at least some portion of the distributor's portfolio of gas supply assets, and there are many

[1] BPU Docket No. GR15060645, ETG response to RCR-A-19. The information shown on page 1 of 13 of the attached schedules shows $29,124,419 million in "Supplier Refunds, Credits and Other" from October 1, 2014 through September 30, 2015. I estimated the margin sharing revenues received from SEM by subtracting the following amounts shown on pages 4 of 13 and 5 of 13 of the schedules attached to the discovery response: (1) $117,235 in supplier refunds and (2) $389,988 in credits to the BGSS as a result of ETG's own capacity release transactions.

companies that compete for AMA transactions. **[Begin Confidential AGLR Eyes Only]**

[2]**[End Confidential AGLR Eyes Only]**

IV. SOUTHERN'S NATURAL GAS MARKET ACTIVITIES

Q. Does Southern currently have a significant presence in the natural gas market?

A. Yes. Both Southern's traditional regulated operating companies and Southern Power Company, Southern's unregulated subsidiary that sells electricity at market-based rates in the wholesale market, own and operate natural gas-fired power generation facilities in the Southeast United States. Southern Company Services, Inc. ("SCS"), which provides services to Southern and its regulated and unregulated subsidiaries, has entered into long-term contracts for pipeline transportation and gas storage services to supply fuel to the plants. **[Begin Confidential]**

[3]**[End Confidential]**

[2] BPU Docket No. GO13040272, ETG confidential response to RCR-4.
[3] RCR-COM-09, Attachment 1 (Confidential)

Q. Is there a significant overlap between Southern's gas supply and generating assets and the ETG gas pipeline and storage assets that SEM manages under the AMA?

A. Yes. ETG and SCS hold firm transportation contracts on pipelines that can be used on similar transportation paths in the Southeast market area, and have contracts for gas storage service at locations along the Gulf Coast. This overlap indicates that ETG contracts for firm transportation capacity and gas storage services could be used to physically supply natural gas to Southern generating plants. For example, the ETG contracts for firm transportation service on Transco that are controlled by SEM have primary delivery designations at points in New Jersey, but can also be used to deliver natural gas to markets in Georgia and the Carolinas. **[Begin Confidential]**

[4]**[End Confidential]**. As discussed in the testimony of Rate Counsel witness Maximillian Chang, there is a potential for additional overlaps if Southern acquires or develops electric generation within the PJM footprint.

V. IMPLICATIONS FOR ETG RATEPAYERS

Q. What are the implications of the proposed merger for ETG ratepayers?

The Joint Petitioners state that they have no current plans to combine the natural gas procurement or asset management activities of SEM with those conducted by

---

[4] RCR-COM-10, Attachment 1 (Confidential)

Southern affiliates if the merger is approved.[5] However, there would likely be cost savings and other benefits from combining the back office operations, gas trading, and pipeline capacity management activities of organizations that perform similar functions in the same geographic markets. If SEM is combined with SCS or another Southern subsidiary following the merger of AGLR and Southern, the combined organization will have a different scope and business focus than SEM has today. In particular, SEM does not currently provide gas asset management or gas procurement for any unregulated affiliates.[6]

Even if SEM remains a stand-alone subsidiary, the merger would create an incentive for SEM to manage the ETG gas assets to favor its affiliates' power generation operations at the expense of ETG ratepayers. As an example, SEM might use ETG's firm pipeline transportation capacity to supply gas to an affiliated generating facility when that capacity could have been used in another transaction to generate a higher margin for ETG ratepayers under the AMA. Currently, the margin sharing formula in the AMA gives SEM an incentive to maximize the margins that are shared with ETG's ratepayers. After a merger, there could be countervailing incentives to enter into transactions that are more favorable to Southern's shareholders.

---

[5] RCR-COM-22.
[6] RCR-COM-19

Q. Is it certain that this type of affiliate preference will occur if the merger is approved?

A. No. However, the merger would create a risk for ETG's ratepayers that does not exist today. The concern is heightened by the fact that a bias in favor of transactions that benefit affiliates would be difficult to identify if it occurred, since deals not done, and opportunities not pursued, are not subject to the same documentation as the transactions that are actually executed.

VI. RECOMMENDATIONS

Q. What are your recommendations?

A. There is a risk that the proposed merger will harm ETG ratepayers by reducing the payments from SEM to ETG under the AMA. Because the ETG share of the AMA optimization margins is a credit to the cost of gas, a reduction in these payments would increase the gas sales rates paid by ETG Periodic BGSS customers. The proposed merger is therefore a significant change in circumstances that was not contemplated at the time that the Board approved the current AMA.

To address these concerns and prevent harm to ratepayers, any approval of the proposed merger should include additional conditions to safeguard the interests of ETG ratepayers:

- ETG should be prohibited from entering into any future agreements for natural gas asset management services with an affiliate after the existing AMA expires.

- During the remaining term of the current AMA, SEM should be prohibited from using the ETG gas assets to supply natural gas to an affiliated generating facility.

Q. Does this conclude your testimony?

A. Yes, at this time. I reserve the right to supplement this testimony if new or updated information is provided by the Joint Petitioners.

ATTACHMENT JAR-1

ATTACHMENT JAR-1

JOHN A. ROSENKRANZ
56 Washington Drive
Acton, MA 01720
(617) 755-3622
jrosenkranz@verizon.net

PROFESSIONAL EXPERIENCE

North Side Energy, LLC, Acton, MA 2006 – Present
PRINCIPAL

Consultant to energy companies, government agencies and natural gas consumers. Practice areas include:
- Gas distribution company resource planning and procurement practices.
- Fuel supply for power generation and electric-gas interface issues.
- Natural gas transmission and storage cost allocation.
- Market studies and avoided cost analysis.

Calpine Corporation, Boston, MA 2000 – 2006
DIRECTOR, GAS ORIGINATION

Developed and implemented fuel supply plans for gas-fired power plants in the Northeast U.S. and Eastern Canada. Negotiated and managed contracts with natural gas suppliers and transporters.
- Testified on the availability of natural gas supply and pipeline delivery capacity to support the permitting of a gas-fired power plant in the Midwest.
- Part of a commercial/legal team that obtained favorable arbitration decisions enforcing long-term natural gas contracts.

PG&E Gas Transmission, Boston, MA and Portland, OR 1997 – 1999
DIRECTOR, BUSINESS DEVELOPMENT

Identified and managed development projects and investment opportunities involving natural gas pipelines, underground storage and LNG peaking plants.
- Project manager for a natural gas storage feasibility study in the Pacific Northwest.
- Owner representative and management committee member for the Iroquois Gas Transmission System and Portland Natural Gas Transmission System partnerships.

J. Makowski Co. (acquired by U.S. Generating Company), Boston, MA 1992 – 1997
MANAGER, PROJECT DEVELOPMENT
Supervised a team that provided project management and marketing support for natural gas pipeline and storage projects. Conducted regional gas market studies for internal projects and outside clients.

VICE PRESIDENT - EnerPro, Inc., Chicago, IL 1990 – 1992
Gas supply consultant to gas distribution companies. Helped clients define gas portfolio objectives, draft requests for proposals, evaluate suppliers, and negotiate long-term gas purchase contracts.

MANAGER, GAS MODELING GROUP - Planmetrics, Inc., Chicago, IL 1986 – 1990
Consulting support to gas supply planners at local distribution companies.

ADVISORY ECONOMIST - Chicago Board of Trade, Chicago, IL 1983 – 1986
Researched commodity markets for futures and options trading potential. Prepared a natural gas futures trading proposal that was submitted to the Commodity Futures Trading Commission.

EDUCATION

Graduate study in Economics - Northwestern University, Evanston, IL
Completed all course and examination requirements for Ph.D.

Bachelor of Arts, Economics - George Washington University, Washington, DC

REGULATORY PROCEEDINGS

Natural Gas Supply Planning and Cost of Gas

Liberty Utilities (EnergyNorth) Proposed Transportation Agreement with Tennessee Gas Pipeline
Case #: NHPUC Docket 14-380
Client: Pipe Line Awareness Network for the Northeast, Inc.
Scope: Testimony on alternatives to a proposed long-term pipeline transportation contract.

Northern Utilities, Inc. Integrated Resource Plan
Case #: MPUC Dockets 2015-00018 and 2011-00526
Client: Maine Public Advocate
Scope: Prepare discovery requests and participate in technical conferences.

Northern Utilities, Inc. Cost of Gas Factor
Case #: MPUC Dockets 2015-00231, 2015-00041, 2014-00247, 2013-00417, and 2012-00413
Client: Maine Public Advocate
Scope: Review cost of gas filings. Prepare discovery requests and participate in technical conferences.

Bangor Gas Company Annual Review of Cost of Gas Activities
Case #: MPUC Docket 2014-00204
Client: Maine Public Advocate
Scope: Review cost of gas filings. Prepare discovery requests and participate in technical conferences.

New Jersey Natural Gas Company Basic Gas Supply Service Review
Case #: NJBPU Dockets GR15060644, GR14060537, GR13050425, and GR12060472
Client: New Jersey Division of Rate Counsel
Scope: Draft discovery requests, prepare written report, and support settlement negotiations.

South Jersey Gas Company Basic Gas Supply Service Review
Case #: NJBPU Dockets GR15060642, GR14050510 and GR13050434
Client: New Jersey Division of Rate Counsel
Scope: Draft discovery requests, prepare written report, and support settlement negotiations.

Elizabethtown Gas Capacity Management Plan
Case#: NJBPU Docket GO13040272
Client: New Jersey Division of Rate Counsel
Scope: Prepare discovery requests and participate in settlement negotiations.

Northern Utilities Hedging Program Review
Case #: MPUC Docket 2012-00448
Client: Maine Public Advocate
Scope: Review proposed changes to hedge program. Participate in technical conferences

UNS Gas Inc. Rate Case
Case #: ACC Docket No. G-04204A-11-0158
Client: Arizona Corporation Commission Utilities Division Staff
Scope: Review gas procurement activities. Testimony with findings and recommendations.

Cost Allocation and Rates

Union Gas 2014 Rate Case
Case #: EB-2013-0365
Client: Canadian Manufacturers & Exporters and other consumer groups
Scope: Testimony recommending changes to the allocation of transmission costs.

Union Gas 2013 Rate Case
Case #: EB-2011-00210
Client: Canadian Manufacturers & Exporters and other consumer groups
Scope: Testimony on the allocation of storage and transmission costs between distribution and transportation services.

Union Gas 2010 Earning Sharing and Deferral Accounts Proceeding
Case #: EB-2011-0038
Client: Canadian Manufacturers & Exporters and other consumer groups
Scope: Testimony on the allocation of costs and sales margins between utility and non-utility storage operations.

Northern Utilities Approval of Affiliated Interest Transaction
Case #: MPUC Dockets 2011-00302, 2012-00393, and 2013-00259
Client: Maine Public Advocate
Scope: Review proposed contract with pipeline affiliate. Examine rate implications for sales customers.

Northern Utilities, Inc. Rate Case
Case #: 2011-00092
Client: Maine Public Advocate
Scope: Filed testimony on cost issues related to gas supply activities.

Florida Gas Transmission Rate Case
Case #: FERC Docket No. RP10-21
Client: Atlantic Power Corporation
Scope: Support Atlantic Power's participation in shipper group opposing rate increase.

Granite State Gas Transmission, Inc. Rate Case
Case #: FERC Docket No. RP10-896
Clients: Maine Public Advocate and MPUC Staff
Scope: Review rate case application. Participate in settlement negotiations.

Maritimes & Northeast Rate Case
Case #: FERC Docket No. RP04-360
Client: Calpine Corporation
Scope: Testimony on distance-based rates.

Natural Gas Markets

Union Gas 2016 Dawn Parkway Expansion Project
Case #: EB-2014-0261
Client: Canadian Manufacturers & Exporters and other consumer groups
Scope: Testimony on market developments that may reduce Northeast U.S. companies' demand for Canadian gas transportation services.

Ontario Natural Gas Market Review
Case #: OEB Case EB-2014-0289 and EB-2010-0199
Client: Canadian Manufacturers & Exporters and other consumer groups
Scope: Written and oral submissions on natural gas market issues.

Enbridge Gas Distribution GTA Project
Case #: OEB Case EB-2012-0451
Client: Green Energy Coalition
Scope: Prepare discovery requests on the need for a proposed expansion project.

Portland Natural Gas Transmission System Rate Case
Case #: FERC Docket RP10-729
Client: Maine Public Advocate
Scope: Rebuttal testimony on the market risks faced by the pipeline.

Natural Gas for Power Generation

New Jersey Natural Gas Service Agreement for Red Oak Power
Case #: NJBPU Docket GO13010059
Client: New Jersey Division of Rate Counsel
Scope: Prepare discovery requests and participate in settlement negotiations.

Ontario Integrated Power System Plan
Case #: OEB Case EB-2007-0707
Client: Ontario Power Authority
Scope: Report on the implications of increased gas-fired power generation for the Ontario gas market.

Natural Gas Electricity Interface Review
Case #: OEB Case EB-2005-0551
Client: Association of Power Producers of Ontario
Scope: Written evidence on power generators' gas service needs. Expert witness at hearing.

Greenfield Energy Centre Leave to Construct
Case#: OEB Case EB-2005-0441
Client: Greenfield Energy Centre
Scope: Witness supporting a generator's application to construct its own gas supply pipeline.

Mankato Energy Center
Case #: MN PUC Case IP-6345/CN-03-1884
Client: Calpine Corporation
Scope: Testimony on the availability of natural gas for power generation in Minnesota.

Wisconsin Electric Power
Case #: WPSC Case 05-CE-130
Client: Calpine Corporation
Scope: Rebuttal testimony on the availability of natural gas for power generation in Wisconsin.

Rulemaking

Storage and Transportation Access Rules
Case #: OEB Case EB-2008-0052
Client: Ontario Energy Board Staff
Scope: Report on transporter and storage operator conduct and reporting requirements in other jurisdictions. Assist Staff in drafting proposed rules and reviewing intervenor comments.

Guidelines for Pre-Approval of Long-Term Gas Supply Contracts
Case #: OEB Case EB-2008-0280
Client: Ontario Energy Board Staff
Scope: Assist Board Staff in evaluating policy options.

SCHEDULE JAR-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
BPU DOCKET NO. GR15060645**

TK

RCR-A-19

Q. Please update all Petition, Exhibit P-1, TK schedules to reflect actual information as of September 30, 2015.

A. Please see attachment RCR-A-19.1 for schedules updated through September 2015 showing a $14.8M over recovered balance. Schedules TK-9 through TK-12 are not included as there are no changes to the filed data.

This balance is made up of an over recovery at the close of September of $8.5M plus an AMA sharing credit received in October 2015. The back dating of the credit to September is as agreed to in the Company's affiliate AMA agreement. Prior to receiving the AMA credit the Company had already taken steps to implement a $8.5M refund in November and in light of the AMA credit will continue to review its projected September 2016 gas cost position and consider future refunds where the Company deems appropriate.

Schedule TK-1

Pivotal Utility Holdings, Inc.
d/b/a Elizabethtown Gas
Statement of Annual Reconciliation of Gas Costs and Recoveries
For the Period October 1, 2014 through September 30, 2015

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Recoverable Costs			Gas Cost Recoveries					(Over) Under Recovery	
				From Firm Sales						
Period	Gas Sendout	Less Supplier Refunds, Credits & Other (a)	Net Recoverable Costs (C.1-2)	Periodic (c)	Monthly	Total	From Non Firm Sales	Total Recoveries (C. 6+7)	Monthly (Over)Under Recovery (C. 3-8)	Cumulative (Over) Under Recovery
Over-recovery at October 1, 2014										($17,659,518) (b)
Oct-14	$7,801,856	$37,068	$7,764,788	$3,109,813	$1,128,911	$4,238,724	$405,745	$4,644,469	$3,120,319	($14,539,199)
Nov-14	$16,433,345	$59,812	$16,373,533	$6,956,638	$2,302,346	$9,258,984	$438,366	$9,697,350	$6,676,183	($7,863,016)
Dec-14	$20,968,537	$1,164,498	$19,804,039	$14,863,429	$4,716,004	$19,579,433	$356,102	$19,935,535	($131,496)	($7,994,512)
Jan-15	$27,385,986	$31,361	$27,354,625	$9,263,192	$6,456,290	$15,719,482	$817,469	$16,536,951	$10,817,674	$2,823,162
Feb-15	$32,811,212	$32,806	$32,778,406	$24,071,059	$7,025,107	$31,096,166	$594,611	$31,690,777	$1,087,629	$3,910,791
Mar-15	$26,148,207	$19,147,788	$7,000,419	$13,683,911	$6,281,442	$19,965,353	$516,566	$20,481,919	($13,481,500)	($9,570,709)
Apr-15	$10,752,051	$32,688	$10,719,363	$13,753,658	$3,599,345	$17,353,003	$481,139	$17,834,142	($7,114,779)	($16,685,488)
May-15	$6,441,823	$32,806	$6,409,017	$5,909,975	$1,587,792	$7,497,767	$306,772	$7,804,539	($1,395,522)	($18,081,010)
Jun-15	$6,793,233	$1,095,306	$5,697,927	$2,952,997	$825,945	$3,778,942	$457,039	$4,235,981	$1,461,946	($16,619,064)
Jul-15	$5,927,515	$47,460	$5,880,055	$2,401,406	$662,560	$3,063,966	$503,517	$3,567,483	$2,312,572	($14,306,492)
Aug-15	$6,312,284	$32,806	$6,279,478	$2,080,540	$609,301	$2,689,841	$536,552	$3,226,393	$3,053,085	($11,253,407)
Sep-15	$7,190,292	$7,410,020	($219,728)	$2,089,509	$692,670	$2,782,179	$527,608	$3,309,787	($3,529,515)	($14,782,922)
	$174,966,341	$29,124,419	$145,841,922	$101,136,127	$35,887,713	$137,023,840	$5,941,486	$142,965,326	$2,876,596	

* Forecast

(a) Includes energy management fees, as well as actual shared margins, if any, received in October but reflected in September, received in May but reflected in March and a September estimate.
(b) Represents opening balance as of September 30th including $333,478 credit from interest due to customers as well as any shared margins received in October but reflected in September.
(c) Includes customer refunds of approximately $10 million in January and March 2015.

Schedule TK-3

Pivotal Utility Holdings, Inc.
d/b/a Elizabethtown Gas
Supplier Refunds
For the Period October 1, 2014 through September 30, 2015

Period	Suppliers	Docket Number	Refund Amounts	Total
	Transco	RP14-1082-000		
Oct-14	Dominion	RP14-262-000	$4,600	$4,600
Nov-14	Transco	N/A	$27,344	$27,344
Dec-14	Columbia Gas	RP15-285-000	$70,637	$70,637
Jan-15			$0	$0
Feb-15			$0	$0
Mar-15			$0	$0
Apr-15			$0	$0
May-15			$0	$0
Jun-15			$0	$0
Jul-15			$14,654	$14,654
Aug-15			$0	$0
Sep-15			$0	$0
			Total	$117,235

* Forecast

Schedule TK-4

Pivotal Utility Holdings, Inc.
d/b/a Elizabethtown Gas
Capacity Release Credits
For the Period October 1, 2014 through September 30, 2015

	Capacity Release			
Period	Volumes Dths	Average Rate	Total Amount	Credit To BGSS
Oct-14	195,145	$0.1957	$38,198	$32,468
Nov-14	188,850	$0.2023	$38,198	$32,468
Dec-14	195,145	$0.1891	$36,895	$31,361
Jan-15	195,145	$0.1891	$36,895	$31,361
Feb-15	176,260	$0.2190	$38,595	$32,806
Mar-15	195,145	$0.1978	$38,595	$32,806
Apr-15	188,850	$0.2036	$38,456	$32,688
May-15	195,145	$0.1978	$38,595	$32,806
Jun-15	188,850	$0.2044	$38,595	$32,806
Jul-15	195,145	$0.1978	$38,595	$32,806
Aug-15	195,145	$0.1978	$38,595	$32,806
Sep-15	188,850	$0.2044	$38,595	$32,806
	2,297,675	$0.1997	$458,807	$389,988