



Agenda Date: 2/20/13

Agenda Item: 2J

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

ENERGY

IN THE MATTER OF THE PETITION OF PIVOTAL)
UTILITY HOLDINGS, INC. D/B/A ELIZABETHTOWN)
GAS FOR AUTHORITY UNDER ORDER N.J.S.A. 48:3-)
9 TO REFINANCE AND AMEND THE TERMS OF)
CERTAIN EXISTING LONG-TERM DEBT ISSUANCES) DOCKET NO. GF13010040

Parties of Record:

Colleen A. Foley, Esq., Saul Ewing LLP for the Petitioner
Stefanie Brand, Esq., Director, Division of Rate Counsel

BY THE BOARD:

On January 14, 2013, Pivotal Utility Holdings, Inc. (f/k/a NUI Utilities, Inc.) d/b/a Elizabethtown Gas ("Petitioner" or the "Company") filed a petition with the New Jersey Board of Public Utilities ("Board") pursuant to N.J.S.A. 48:3-9 and N.J.A.C. 14:1-5.9, seeking authority to refinance an existing \$40 million of tax-exempt fixed-rate bonds issued by the New Jersey Economic Development Authority ("EDA"), and to add what the Company described as a "bank mode" provision to other existing EDA bond issuances.

The Company is a public utility duly organized under the laws of the State of New Jersey. Petitioner is engaged in the business of transmitting and distributing natural gas and mixed gas to approximately 274,000 customers in its New Jersey service territory located principally in Hunterdon, Mercer, Middlesex, Morris, Sussex, Union and Warren Counties. The Company is a direct wholly owned subsidiary of NUI Corporation, which, in turn, is a wholly owned subsidiary of AGL Resources Inc. ("AGLR").¹

Petitioner states that it is standard practice for AGLR to conduct a periodic review of outstanding debt and to refinance, or amend the terms of, such existing debt on more advantageous terms when possible. Table One below sets out the loan agreements (totaling approximately \$180.1 million) between the Company and the New Jersey Economic Development Authority ("NJEDA") that are the subject of this petition and the changes requested by the petition.

¹ AGLR's acquisition of the Company was approved by the Board on November 17, 2004 in In re the Petition of NUI Utilities, Inc. (d/b/a Elizabethtown Gas Company) and AGL Resources Inc. Under N.J.S.A. 48:3-10 of a Change in Ownership and Control, BPU Docket No. GM04070721, Order of Approval.

TABLE ONE

<u>Description</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>BPU Request</u>
NJEDA Revenue Bonds	\$40 million	5.25%	Refinance
NJEDA Revenue Bonds	\$39 million	Variable	Add bank mode
NJEDA Revenue Bonds	\$46.5 million	Variable	Add bank mode
NJEDA Revenue Bonds	\$54.6 million	Variable	Add bank mode

According to the petition, AGLR plans to enter into a refinancing transaction related to the \$180.1 million of outstanding tax-exempt revenue bonds identified in Table One. The specific terms of the refinancing are contained in Exhibit A to the petition. Specifically, Petitioners seek to refinance the \$40 million fixed rate EDA bonds on more favorable terms, and to add a "bank mode" provision to those refinanced bonds and to the three existing EDA bond issuances. Petitioners state that this transaction will be structured as a direct purchase and will be syndicated to four banks, each of which will purchase and hold a portion of the bonds over the transaction period. Petitioners state that the "bank mode" provision they propose to add to the EDA bonds as part of the transaction will allow the banks to buy and hold the bonds for a set length of time at a set rate, rather than marketing the bonds to the public on a periodic basis. Petitioner further asserts that this transaction will enable it to maintain the tax-exempt status of the bonds and reduce its costs at the same time.

Petitioner states that the expected savings from the transaction are derived in two significant ways. First, the \$40 million fixed-rate EDA bond (with interest at 5.25%) is currently callable at par. Second, the direct purchase transaction, adding the "bank mode" provision to current bonds and to the new bonds, enables the Company to release and eliminate the current letters of credit and remarketing agreements, and the fees associated with them, that exist with the current structure. In comparison to the current structure, the Company estimates that the direct purchase transaction is approximately 34 basis points less expensive. Overall, the Company anticipates this strategy will reduce its interest expense by approximately \$2.0 million annually over the 5.5-year duration of the transaction.

Petitioner asserts that approval of the refinancing transactions is in the public interest. The Company anticipates that the terms of the refinancing, along with the addition of the "bank mode" provision, will result in lower debt costs to the Company, and ultimately its customers. Moreover, the Company maintains that requested authority will help to enhance its financial position, and its ability to continue to provide customers with safe, adequate and proper utility service at just and reasonable rates.

The Division of Rate Counsel has reviewed this matter and by letter dated February 15, 2013, has indicated that it does not oppose the Company's petition.

After review of the petition, exhibits and Rate Counsel comments, the Board **FINDS** that the proposed transactions are consistent with the provisions of N.J.S.A. 48:3-9 and other applicable law and are not contrary to the public interest. Therefore, the Board **HEREBY AUTHORIZES** Petitioner to refinance the existing \$40 million of EDA bonds and to add a "bank mode"

provision to the EDA bonds identified in Table One, and to take such actions as are necessary to effectuate these transactions.

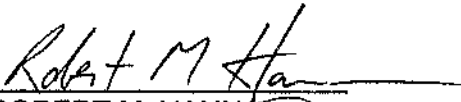
This Order is issued subject to the following provisions:

1. This Order shall not affect or in any way limit the exercise of the authority of the Board or the State of New Jersey in any future petition or in any proceeding regarding rates, costs of service, franchises, service, financing, accounting, capitalization, depreciation or any other matters affecting the Petitioner.
2. The Petitioner shall notify the Board, within five business days, of any material changes in the refinancing transaction terms and shall provide complete details of such transactions.
3. The Petitioner shall notify the Board of any material default on the terms of the refinancing transaction authorized herein within five business days of such occurrence.
4. This Order shall not be construed as directly or indirectly fixing for any purpose whatsoever any value of tangible or intangible assets now owned or hereafter to be owned by the Petitioner.
5. The approval in this Order shall become null and void and of no effect with respect to any portion thereof which is not exercised by July 30, 2013.

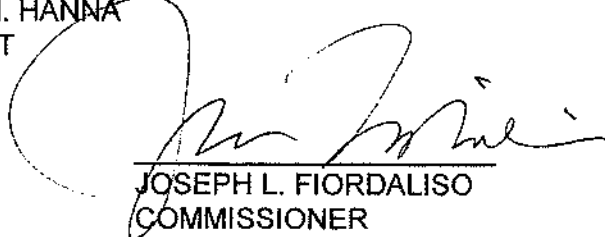
This Order shall be effective on March 1, 2013.

DATED: 2/20/13

BOARD OF PUBLIC UTILITIES
BY:


 ROBERT M. HANNA
 PRESIDENT

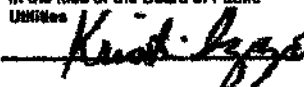

 JEANNE M. FOX
 COMMISSIONER


 JOSEPH L. FIORDALISO
 COMMISSIONER


 MARY-ANNA HOLDEN
 COMMISSIONER

ATTEST:

 KRISTI IZZO
 SECRETARY

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


SERVICE LIST

In the Matter of the Petition of Pivotal Utility Holdings, Inc. D/B/A Elizabethtown Gas for Authority Under Order N.J.S.A. 48:3-9 to Refinance and Amend the Terms of Certain Existing Long-Term Debt Issuances

Docket No. GF13010040

Jerome May, Director
Division of Energy
Board of Public Utilities
44 South Clinton Ave, 9th Fl.
Post Office Box 350
Trenton, NJ 08625-0350

Stefanie A. Brand, Esq.
Director
Division of the Rate Counsel
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07101

Caroline Vachier, DAG
Department of Law & Public Safety
Division of Law
124 Halsey Street
P.O. Box 45029
Newark, NJ 07101

Mark C. Beyer
Chief Economist
Board of Public Utilities
44 South Clinton Ave, 9th Fl.
Post Office Box 350
Trenton, NJ 08625-0350

Felicia-Thomas Friel, Esq.
Division of the Rate Counsel
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07101

Colleen A. Foley, Esq.
Saul Ewing LLP
One Riverfront Plaza
Newark, NJ 07102

Robert Wojciak
Board of Public Utilities
44 South Clinton Ave, 9th Fl.
Post Office Box 350
Trenton, NJ 08625-0350