Agenda Date: 8/21/13
Agenda Item: 2C

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 APPROVAL OF AN ACCELERATED INFRASTRUCTURE REPLACEMENT PROGRAM AND AN ASSOCIATED COST RECOVERY MECHANISM	)))))	ORDER DOCKET NO. GO12070693

Parties of Record:

Mary Patricia Keefe, Esq., Vice President Pivotal Utility Holdings, Inc., d/b/a/ Elizabethtown Gas
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel
Steven S. Goldenberg, Esq., Fox Rothchild, LLP, on behalf of New Jersey Large Energy Users

BY THE BOARD:

BACKGROUND

On July 23, 2012, Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas ("ETG" or "the Company") filed a petition requesting that the New Jersey Board of Public Utilities ('Board") approve the Company's Accelerated Infrastructure Replacement Program ("AIR") proposing to invest up to $135.0 million in the Company's natural gas infrastructure over a five-year period to enhance the safety, reliability and integrity of the Company's distribution system while stimulating the New Jersey economy. The Company asserts that the projects included in the proposed AIR are incremental to the Company's projected normal capital expenditures and do not duplicate any of the projects previously undertaken in connection with the Company's Utility Infrastructure Investment Program ("UIE").

ETG also sought authority to recover the costs associated with the proposed AIR via a recovery mechanism similar to the UIE process that was currently in place. The Company proposed to make annual filings with the Board commencing June 1, 2013 and every June 1 thereafter until 2017 requesting an increase in base distribution rates to recover costs associated with the AIR. The Company also proposed that the revenue requirement associated with

AIR projects be calculated in the same manner as approved by the May 16, 2011 UIE Order[1].

On May 29, 2013, the Board granted the New Jersey Large Energy Users Coalition ("NJLEUC") and Public Service Electric and Gas motions to intervene and participate, respectively, and appointed Commissioner Jeanne M. Fox as presiding officer.

Subsequent to extensive discovery and discussions, the Company, Rate Counsel, and Board Staff ("the Signatory Parties") have reached an agreement and on August 1, 2013, executed a stipulation ("Stipulation") which is intended to resolve all issues associated with the July 23, 2012 petition[2].

STIPULATION[3]

ETG will invest up to $115.2 million in incremental investments during the term of the program, which is inclusive of allowance for funds used during construction ("AFUDC") accruals on AIR work-in-progress, but exclusive of the cost of removal, the replacement of associated gas meters, and carrying costs on AIR investments placed in service.

The AIR will end four years after the effective date of a Board Order in this matter.

AIR project costs are subject to the accounting treatment described in Section D of the Stipulation, which includes the following:

i) ETG will accrue AFUDC via the modified Federal Energy Regulatory Commission method, currently in use by ETG, for each AIR project until that project is transferred to plant-in-service.

ii) From the time an AIR project is placed in service until the time its costs are recovered through base rates, ETG will accrue to utility plant "carrying costs" that will be tracked on a project-by-project basis at a rate of 6.65%.

iii) The AIR plant-in-service balance will include a monthly deduction for accumulated deferred income tax using a composite depreciation rate of 1.65%.

iv) There will be no recovery of depreciation expense or adjustments to rate base (via the accumulated depreciation reserve) until AIR plant-in-service is included in rate base.

Exhibit A to the Stipulation includes an initial list of projects that ETG anticipates will be completed by August 31, 2014 with estimated costs, anticipated mileage and locations of the infrastructure replacement. On or about January 10th of each year that the AIR remains in effect, ETG will provide to Staff and Rate Counsel a list of anticipated replacement projects for the coming year in a similar list format, along with the estimated cost and projected timeline and completion date ("Annual Project Lists").

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[1] In re the Petition of Pivotal Utility Holdings, d/b/a Elizabethtown Gas to Extend its Utility Infrastructure Enhancement Program and Revise its Utility Infrastructure Enhancement Rate; GO10120969.

[2] By e-mail on August 2, 2013, NJLEUC stated that it took no position on the Stipulation.

[3] Although summarized in this Order, the detailed terms of the Stipulation control, subject to the findings and conclusions of this Order.

The Company will invest a base spending level of at least $20.8 million, an annual average of $5.2 million for each of the four years, on projects related to cast iron and bare steel main replacement, renewal, and pressure improvement that will not be subject to the accounting treatment described in Section D of the Stipulation.

AIR expenditures shall be limited to the $115.2 million of incremental investments (in excess of the $20.8 million base spending level) over the four year term of the AIR exclusive of costs of removal and carrying costs calculated on assets placed in service but not yet reflected in base rates.

In no event are the total incremental AIR expenditures subject to the accounting procedures set forth in Paragraph D of the Stipulation to exceed the total AIR incremental capital investment spending limit of $115.2 million over the four years.

The AIR costs will be subject to review in ETG's next base rate case which the Company will file no later than September 1, 2016, with the test-year filing based on three months of actual and nine months of estimated data, and updated over the course of the year to twelve months of actual data. There will be no rate increase for AIR projects until the Board issues and order in that rate case proceeding.

ETG will provide a quarterly report to Board Staff and Rate Counsel in a format similar to that used for the Company's UIE program. Details of the agreed-upon quarterly reporting requirements for the AIR are attached to the Stipulation as Exhibit B.

The Company agrees to record and defer in a separate regulatory liability account any leak repair expenses that fall below $3.3 million per AIR year. At the time the AIR projects are rolled into rate base, the regulatory liability associated with leak repair expenses that fall below $3.3 million per AIR year will be amortized in rates over a four year period.

ETG's leak report shows that the Company has an active leak inventory of 3,690 leaks, of which 1,257 are Grade 2 leaks and 2,433 are Grade 3 leaks. The Company commits to eliminating all Grade 2 leaks (numbering 1,257 as of May 1, 2013) within twelve months, as required by code.

ETG will also use commercially reasonable efforts to reduce its active leak inventory by 2,214 (60%) by the end of the AIR term. Leaks that arise or are discovered after May 1, 2013 are not to be counted in the metric. In the Company's next base rate case proceeding at the conclusion of AIR, if it is determined that the Company's leak inventory has been reduced by fewer than 2,214, the amount of carrying costs to be included in base rates shall be reduced to the percentage derived by dividing the number of leaks actually eliminated by the leak inventory reduction goal of 2,214.

DISCUSSION AND FINDING

After review of the Stipulation and exhibits, the Board **HEREBY FINDS** that the attached Stipulation is reasonable, in the public interest, and in accordance with law. The AIR, if properly executed will help eliminate older pipes at greater risk of leakage, and increase the safety, efficiency and reliability of the Company's distribution system. Additionally, recovery under the AIR is tied, at least to some degree, to the Company's ability to reduce its leak inventory, with all costs subject to review within ETG's next base rate case. Accordingly, the Board **HEREBY ADOPTS** the Stipulation as its own, as if in set forth herein.

This Board Order shall become effective September 1, 2013.

DATED: 8/21/13

BOARD OF PUBLIC UTILITIES
BY:

ROBERT M. HANNA
PRESIDENT

JEANNE M. FOX
COMMISSIONER

JOSEPH L. FIORDALISO
COMMISSIONER

MARY-ANNA HOLDEN
COMMISSIONER

DIANNE SOLOMON
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

In The Matter of the Petition of Pivotal Utility Holdings, Inc.
d/b/a Elizabethtown Gas for Approval of an Accelerated Infrastructure
Replacement Program and an Associated Cost Recovery Mechanism
DOCKET NO. GR12070693

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August 2, 2013

VIA ELECTRONIC MAIL AND FEDERAL EXPRESS

Honorable Kristi Izzo, Secretary
State of New Jersey
Board of Public Utilities
44 South Clinton Avenue
P.O. Box 350
Trenton, New Jersey 08625-0350

Re: In the Matter of the Petition of Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas For Approval Of An Accelerated Infrastructure Replacement Program and An Associated Cost Recovery Mechanism BPU Docket No. GO12070693

Dear Secretary Izzo:

Enclosed for filing in the above proceeding is a Stipulation executed by representatives of Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas, the Staff of the New Jersey Board of Public Utilities and the Division of Rate Counsel that is intended to resolve all issues associated with the above-referenced proceedings. It is respectfully requested that the Board approve this Stipulation in its entirety at the August 21, 2013 agenda meeting. Thank you.

Respectfully submitted,

/s/ Deborah M. Franco
Deborah M. Franco

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

cc: Service List

IN THE MATTER OF THE PETITION OF PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS FOR APPROVAL OF AN ACCELERATED INFRASTRUCTURE REPLACEMENT PROGRAM AND AN ASSOCIATED COST RECOVERY MECHANISM BPU DOCKET NO. GO12070693

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**IN THE MATTER OF THE PETITION OF
PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS
FOR APPROVAL OF AN ACCELERATED INFRASTRUCTURE REPLACEMENT
PROGRAM AND AN ASSOCIATED COST RECOVERY MECHANISM
BPU DOCKET NO. GO12070693**

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STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

In The Matter Of The Petition of Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas For Approval Of An Accelerated Infrastructure Replacement Program And An Associated Cost Recovery Mechanism	)	**BPU Docket No. GO12070693** **FINAL STIPULATION**

APPEARANCES:

Deborah M. Franco and Kenneth T. Maloney (Cullen and Dykman LLP), Attorneys for the Petitioner, Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas
Mary Patricia Keefe, Vice President for Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas

Felicia Thomas-Friel, Esq., Managing Attorney, **Henry M. Ogden, Esq.,** and **Christine Juarez,** Assistant Deputy Rate Counsels, New Jersey Division of Rate Counsel (**Stefanie Brand, Esq.**, Director)

Alex Moreau and Marisa Slaten, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (**John Jay Hoffman,** Acting Attorney General of New Jersey)

BACKGROUND

1. On July 23, 2012 Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas ("Elizabethtown," "Company" or "Petitioner") filed a petition ("July 23 Petition") requesting to implement an Accelerated Infrastructure Replacement Program ("AIR" or "AIR Program") to invest up to $135 million in the Company's natural gas infrastructure over a period commencing November 2012 through August 31, 2017 to enhance the safety, reliability and integrity of the Company's distribution system. The July 23 Petition also proposed a cost recovery mechanism to enable the Company to recover the costs associated with the proposed AIR Program in a timely manner. The Company's July 23 Petition was accompanied by the testimony and supporting schedules of Brian MacLean, Elizabethtown's Vice President of Operations, Michael

Scacifero, Elizabethtown's Director of Engineering Services and Thomas Kaufmann, Petitioner's Manager of Rates and Tariffs. At the time of the filing of the July 23 Petition, Elizabethtown had in place an accelerated infrastructure investment program, the Utility Infrastructure Enhancement ("UIE") Program, that expired on October 31, 2012.

2. The UIE Program consisted of certain accelerated investments in gas distribution infrastructure-related projects that were outside the scope of the Company's normal capital budget and developed in connection with the State's initiative to stimulate the economy, enhance the reliability, safety and system integrity of Elizabethtown's distribution system, promote energy efficiency and preserve the environment. The UIE Program was approved by the Board by an April 28, 2009 BPU Order in Docket Nos. EO09010049 and GO09010053 *et al.* ("April 28 Order"), as supplemented by the Board's May 16, 2011 Order ("May 16 Order") in the same proceedings. In accordance with these orders, the Company completed the UIE projects at a total cost of approximately $108.4 million. Pursuant to the May 16 Order, the Company proposed the roll in and recovery of the costs associated with the UIE Program through an adjustment to Elizabethtown's base rates in BPU Docket Nos. GR12100951 and GR11060360. These proceedings are pending before the Board.

3. The projects included in the proposed AIR Program are incremental to Elizabethtown's normal capital expenditures and do not duplicate any of the projects previously undertaken by the Company in its UIE Program. The proposed AIR projects contained in the July 23 Petition included:

(i) The replacement of the Company's remaining 21 miles of large diameter, elevated pressure ("EP") cast iron main;

(ii) The continued replacement of primarily 4-inch and 6-inch low pressure ("LP") cast iron main; and

(iii) The replacement of all remaining Electric Resistance Welded ("ERW") steel pipe manufactured prior to 1971.

4. As explained in the July 23 Petition and supporting testimony, the proposed AIR Program is designed to continue Elizabethtown's accelerated infrastructure efforts and foster an even safer and more reliable distribution system by allowing the Company to replace aged and higher risk segments of its system that may be more prone to failure due to corrosion or leaks. As further explained in the July 23 Petition, Elizabethtown's proposal is consistent with both Federal and State policies as reflected in the "Call to Action" issued by the United States Secretary of Transportation, which encourages an increased focus on pipeline replacement and associated cost recovery, and the New Jersey Energy Master Plan, which supports investments in natural gas infrastructure as a means of reducing energy costs and enhancing energy security.

5. The July 23 Petition proposed a cost recovery mechanism similar to that which was authorized for the UIE Program. Specifically, Elizabethtown proposed to adjust its base rates on an annual basis to recover the costs of its AIR Program based on the methodology previously approved for the UIE Program by the May 16 Order.

PROCEDURAL HISTORY

6. On September 12, 2012, Public Service Electric & Gas ("PSE&G") submitted a Motion to Participate in this proceeding. On September 20, 2012, Elizabethtown filed a letter with the Board indicating that it did not oppose PSE&G's request. On September 27, 2012, the New Jersey Large Energy Users Coalition ("NJLEUC") filed a Motion to Intervene in this proceeding.

On October 2, 2012, Elizabethtown filed a letter with the Board indicating that it did not oppose NJLEUC's request. The Board approved these motions at its May 29, 2013 agenda meeting.

7. Duly noticed public hearings regarding the July 23 Petition were held on November 8, 2012 in Rahway, New Jersey and on November 13, 2012 in Flemington, New Jersey. No members of the public attended these public hearings.

8. Extensive discovery has been propounded and answered in this proceeding and Board of Public Utilities Staff ("Staff"), the Division of Rate Counsel ("Rate Counsel") and Elizabethtown have engaged in duly noticed discussions to address the resolution of the July 23 Petition. As a result, Staff, Rate Counsel and Elizabethtown ("Stipulating Parties") have reached this Stipulation which is intended to resolve all issues associated with the July 23 Petition.

STIPULATED MATTERS

The Stipulating Parties hereby **STIPULATE AND AGREE** as follows:

A. AIR Program

9. Under the AIR Program described in this Stipulation, Elizabethtown will invest up to $115.2 million in incremental investments during the term of the program, exclusive of the cost of removal and Carrying Costs on AIR Program investments placed in service.

10. The AIR Program spending levels will not include the replacement of associated gas meters.

11. The AIR Program will consist of the Company's continued replacement of bare steel, cast iron and other types of higher priority mains, related-services, relocation of meters and associated appurtenant facilities, as well as ERW steel transmission pipeline manufactured prior to 1971. The Company's main replacement work will be prioritized utilizing the Company's Distribution Integrity Management Plan ("DIMP"), which is the risk-based process followed by

Elizabethtown in accordance with Federal regulations to operate and manage the safety, reliability and integrity of the Company's distribution system.

12. A list of the specific AIR projects that are subject to the accounting treatment set forth in paragraph D below and that Elizabethtown anticipates to be completed by August 31, 2014, including estimated costs, anticipated mileage and locations of the infrastructure replacement, is attached as Exhibit A ("Initial List"). Thereafter, on or about January 10th of each year that the AIR Program remains in effect, Elizabethtown will provide to Staff and Rate Counsel a list of anticipated replacement projects for the coming year in a similar list format, along with the estimated cost and projected timeline and completion date ("Annual Project Lists"). The Initial Project List and the Annual Project Lists may be modified without further review during the year based on municipal, county and state requirements, public works project issues, costs, and/or other considerations.

B. Effective Date and Term of AIR Program

13. The AIR Program shall become effective on the effective date of a Board order approving this Stipulation and shall end four (4) years after the effective date of this Board Order.

14. The accounting treatment described in Paragraph D below shall commence on the effective date of a Board order approving this Stipulation and will continue until the costs of the Air Program projects are reflected in base rates.

C. Spending Levels

15. During the 4-year term of the AIR Program, Elizabethtown will invest at least \$20.8[1] million in projects related to cast iron and bare steel main work, renewals, and pressure improvement projects that will not be subject to the accounting treatment described in Paragraph

[1] Equivalent to an average annual investment level of \$5.2 million.

D below (hereafter referred to as the "Base Spending Level").

16. AIR Program expenditures shall be limited to $115.2 million of incremental investments (in excess of the $20.8 million described in the previous sentence) over the term of the AIR Program. The amount of incremental investment that is subject to the accounting treatment set forth in Paragraph D below will be Elizabethtown's actual total AIR incremental investment of up to $115.2 million plus Carrying Costs on AIR Program investments placed in service but not yet reflected in base rates.

17. The 4-year total AIR Program investment of $115.2 million is inclusive of AFUDC accruals on Air Program projects in CWIP, but exclusive of Cost of Removal and Carrying Costs on AIR Program investments placed in service but not yet reflected in base rates.

18. The 4-year total AIR Program investment of $115.2 million is equivalent to an average annual AIR Program investment level of $28.8 million. This incremental construction cost target of $28.8 million annually may be under- or over-spent by 15 percent in any given year. The 15% margin shall be applicable to incremental expenditures, over the average annual base level expenditure of approximately $5.2 million. Any over-spending on incremental expenditures in a given year should be accompanied by a reduction of an equal amount in one or more periods. Similarly, any under-spending in a given year may be offset by additional spending that exceeds the annual target in other periods. In either event, the amount of incremental investment that is subject to the accounting procedures set forth in Paragraph D below during any given year will be the Company's actual total AIR investment costs less the average annual Base Spending Level of $5.2 million recovered through base rates. In no event will the total incremental AIR Project expenditures subject to the accounting procedures set forth

in Paragraph D below exceed the total AIR incremental capital investment spending limit of approximately $115.2 million over four years.

D. **Accounting Treatment**

19. All reasonable and prudently incurred investment costs associated with AIR projects, including, but not limited to, the costs of engineering, design and construction, including labor, material and other overheads, will be subject to the following accounting treatment for ratemaking purposes:

(i) Elizabethtown will accrue an Allowance For Funds Used During Construction ("AFUDC") for each AIR Program project until such AIR Program project expenditures are transferred to Plant in service. In service means when gas is introduced into the new replacement main. The AFUDC rate applied to AIR projects shall be based upon the modified Federal Energy Regulatory Commission ("FERC") method currently in use by Elizabethtown.

(ii) From the time an AIR project is placed in service until the time its costs are recovered through base rates, "the deferral period", Elizabethtown will accrue to utility plant Carrying Costs at a rate of 6.65%. This Carrying Cost rate of 6.65% is made up of a debt component of 2.38% and an equity component of 4.27%. For administrative purposes, Carrying Costs associated with AIR Projects will be booked and tracked monthly on an aggregate basis such that the Carrying Cost accruals will be assigned to a single plant project number on the Company's books.

(iii) In its next base rate case, the Company will roll-in to rate base and recover in rates the incremental investment costs including accrued AFUDC and Carrying Costs associated with AIR projects.

(iv) The plant-in-service balance associated with AIR projects that are in service will include a monthly deduction for Accumulated Deferred Income Tax ("ADIT") using the depreciation expense reflected in paragraph (v) below prior to calculating the monthly Carrying Costs. The calculated ADIT balance must include the US IRS Repair Allowance as such time when the Company receives an associated income tax benefit. .

(v) The depreciation expense for AIR projects will be calculated based upon the Company's depreciation methodology using a composite depreciation rate of 1.65%. During the deferral period, once AIR projects are closed to Plant in Service, the calculated depreciation expense will be charged (debited) with a corresponding credit to the accumulated depreciation reserve. The recorded depreciation expense will be deferred in a separate regulatory asset account by charging (debiting) a regulatory asset and crediting the depreciation expense. When base rate recovery of the AIR projects commences, the regulatory asset containing the deferred depreciation expense will be eliminated by crediting the balance with a corresponding charge (debit) to the accumulated depreciation reserve, and therefore, the regulatory asset related to the depreciation expense and the accumulated depreciation reserve related to the AIR investments that were created pursuant to this Stipulation will have no impact on income or rate base during the deferral period. As a result of these entries there will be no recovery of depreciation expense or adjustments to rate base associated with the accumulated depreciation reserve until the deferred AIR project investments are included in rate base and recovered in base rates.

(vi) For ratemaking purposes, the Parties have utilized a capital structure with a 43.84% equity component and a return on equity of 9.75%.

E. Rate Case Filing

20. The AIR Program costs will be subject to review in Elizabethtown's next base rate case. A base rate case shall be filed no later than September 1, 2016.

21. Elizabethtown's next base rate case filing will be based on three (3) months of actual data and nine (9) months of projected data for the test year which test year will be updated through the course of the proceeding for twelve (12) months of actual data.

22. No rate increase for AIR projects will be put into effect until the issuance of an Order by the Board establishing base rates for Elizabethtown in the prospective base rate case proceeding.

23. The continuation of the AIR Program for investments in addition to that reflected in rates at the conclusion of Elizabethtown's next base rate case will be subject to review and consideration by the Board in that rate case or a subsequent proceeding.

F. Quarterly Reports

24. Elizabethtown will provide a quarterly report to Board Staff and Rate Counsel in a format similar to that used for Elizabethtown's UIE program. A sample copy of the quarterly report to be used for Elizabethtown's AIR Program is attached as Exhibit B.

G. Leak Repair Expenses

25. For purposes of this Stipulation, Elizabethtown's current base rates reflect an O&M expense related to leak repair of approximately $3.3 million. Elizabethtown agrees to record and defer in a separate regulatory liability account any amount below $3.3 million per AIR Program year for O&M expense related to leak repair. At the time the AIR projects are rolled into rate base, the regulatory liability associated with leak repair will be amortized in rates over a four year period.

H. Leak Reduction

26. Elizabethtown's leak report shows that the Company has an active Grade 2 and Grade 3 leak inventory as of May 1, 2013 of 3,690 leaks, of which 1257 are Grade 2 leaks and 2433 are Grade 3 leaks. Elizabethtown will eliminate all Grade 2 leaks within twelve months, as required by code. Elizabethtown will also use commercially reasonable efforts to reduce this active leak inventory by 2,214 or 60% by the end of the AIR Program term. Leaks that arise or are discovered after May 1, 2013 will not be counted in the metric.

27. In the Company's next base rate case proceeding following completion of the AIR Program, the Parties shall review the relevant reports, and such discovery requests as may be appropriate, to determine whether Elizabethtown's May 1, 2013 active leak inventory of 3,690 has been reduced by 2,214 or approximately 60% by the conclusion of the AIR Program. If it is reduced by less than 2,214, the amount of Carrying Costs to be included in rates shall be reduced as follows:

> The amount of Carrying Costs to be included in base rates shall equal the total amount of the Carrying Costs accrued on AIR projects from the effective date of the Board Order approving this Stipulation until the effective date of Elizabethtown's next base rate case multiplied by a fraction, the numerator which shall be the amount of leaks eliminated subsequent to May 1, 2013, and the denominator of which will be 2,214.

I. **Further Provisions**

28. This Stipulation is intended to resolve all issues regarding the July 23 Petition. This Stipulation represents a mutual balancing of interests and, therefore, is intended to be accepted and approved in its entirety. In the event the Board does not adopt this Stipulation in its entirety in an Order, then any Stipulating Party hereto is free to pursue its then-available legal remedies with respect to all issues in this Stipulation as though this Stipulation had not been signed.

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

30. This Stipulation represents a negotiated agreement and the Stipulating Parties consider this Stipulation binding on them for all purposes herein.

31. Except as expressly provided herein, Elizabethtown, Board Staff or Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein. This Stipulation shall not be cited as precedent except for the purpose of enforcing its terms. All rates remain subject to audit by the Board.

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

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

By: Mary Patricia Keefe/KB
Mary Patricia Keefe
Vice President, Regulatory Affairs
and Assistant Corporate Secretary

STEFANIE A. BRAND
DIRECTOR, DIVISION OF
RATE COUNSEL

By: ______________________
Henry M. Ogden
Assistant Deputy Rate Counsel

JOHN JAY HOFFMAN
ACTING ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the New Jersey Board of Public Utilities

By: ______________________
Alex Moreau, DAG

Dated: August 1, 2013

Exhibit A

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

AIR Projects - Year 1

Project Name*	Project Type	Municipality	Proposed Replacement Footage*	Proposed Abandonment Footage*	Estimated Cost*
Summit Rd (North to Springfield)	LP	Mountainside	13,854'	14,771'	$ 1,900,000
Foothill Way	LP	Mountainside	2,682'	2,519'	$ 390,000
Pfeiffer Blvd	LP	Perth Amboy	560'	548'	$ 85,000
Krochmally Ave	LP	Perth Amboy	6,052'	5,327'	$ 800,000
Cleveland Ave and Montrose Ave	LP	Colonia	3,409'	3,468'	$ 630,000
Hall Ave	LP	Perth Amboy	4,650'	4,583'	$ 581,250
675 Garden St	LP	Elizabeth	1,015'	495'	$ 120,000
Morris Ave (RR to Salem)	LP	Union	4,451'	6,296'	$ 635,000
Marshall St and Franklin St	LP	Elizabeth	5,476'	4,640'	$ 1,400,000
Henry St	LP	Elizabeth	4,193'	6,652'	$ 524,125
Central Ave and Knollcrest Rd	LP	Mountainside	2,061'	2,387'	$ 257,625
Patterson St	LP	Perth Amboy	5,505'	6,238'	$ 688,125
Springfield Ave (Doering to Hampton)	LP	Cranford	7,625'	5,982'	$ 968,875
Durham Ave (John St to Central Ave)	LP	Metuchen	3,375'	4,697'	$ 421,875
Cross Ave	LP	Elizabeth	4,640'	5,763'	$ 580,000
Rose St and Newman St	LP	Metuchen	11,509'	11,762'	$ 1,438,625
Catherine St	LP	Elizabeth	11,837'	12,231'	$ 1,479,625
Conklin St	LP	Hillside	6,346'	6,021'	$ 793,250
Highland Ave	LP	Metuchen	4,953'	4,603'	$ 619,125
Spring St, Van Buren Ave and Jackson Ave	LP	Elizabeth	5,622'	7,622'	$ 702,750
5 Points	LP	Union	7,569'	9,804'	$ 931,875
Valley Rd and Springfield Ave (South to Vauxhall Rd)	LP	Union	4,900'	6,397'	$ 612,500
Burnet Ave (Seymour Ave to Regina St)	LP	Union	9,670'	7,520'	$ 1,208,750
W Elm St	LP	Linden	5,365'	4,935'	$ 670,625
Allen St and Bedle Pl	LP	Elizabeth/ Linden	5,826'	5,943'	$ 728,250
Washington Ave and Broad St	LP	Perth Amboy	6,985'	4,392'	$ 873,125
Westfield Ave and Chestnut St	LP	Roselle Park	6,268'	7,232'	$ 783,500
Van Buren Ave and North Ave to Virginia St and Jefferson Ave	EP	Elizabeth	4,119'	3,769'	$ 1,124,222
Virginia St and Sherman Ave to North Ave and the Elizabeth River	EP	Elizabeth/ Hillside	9,336'	9,306'	$ 2,621,087
New Village to Warren Glen Pre-1970 ERW Transmission Line II - Southern Location	TR	Pohatcong Twp	6,600'	4,600'	$ 4,000,000
New Village to Warren Glen Pre-1970 ERW Transmission Line II - Central Location	TR	Greenwich Twp	800'	800'	$ 800,000
Estimated Total Costs					**$ 29,369,184**

**Projects and estimates are as of July 24, 2013 and are subject to change as projects move further into planning and design stage. Updates will be provided in Quarterly Reports.*

AIR
Reporting Requirements

The Company agrees to file, in electronic format (i.e. Excel spreadsheets where available), the following information as part of its AIR Reporting Requirements:

1.) The data and information analogous to that provided in the Quarterly Report, Appendix F, on Capital Expenditures and Job Creation in Connection with the Company's Board approved AIR Program (BPU Docket Nos. EO09010049 and GO09010053 *et al.*). This report will be entitled Quarterly Report on Capital Expenditures and Job Creation in Connection with AIR Program.

2.) The following additional information will be provided with the information supplied in 1.) above:

a. Projected and actual miles of mains replaced by material type and diameter on a quarterly basis. At a minimum this should be provided for each project consisting of elevated pressure cast iron mains, low pressure cast iron mains, Electric Resistance Welded steel pipe manufactured prior to 1971, and other mains replaced under this program.

b. Projected and actual miles of the new mains used to replace existing mains, as defined in (a), on a quarterly basis, providing the diameter of the replaced mains and the diameter of the new mains by material type.

c. Remaining miles of mains inventory by material type, as defined in (a), on a quarterly basis.

d. Projected and actual cost of mains replacements by material type, as defined in (a), and diameter on a quarterly basis.

e. Historic replacement cost per mile for mains by material type on a semi-annual basis (past five years), if available.

f. A **detailed** explanation for deviations from budgeted (estimated) costs in excess of 10 percent from actual and from updated estimated costs for main, as defined in (a), on a semi-annual basis. This would include but not be limited to an explanation of the reasons for the cost increases, and analyses presented to management in connection with the cost over-runs and plans to remedy the cost over-runs.

g. Explanation of the prioritization of each AIR replacement project on a semi-annual basis.

h. Leak rates from prior year by County for unprotected steel and cast iron mains on a semi-annual basis.

i. Leaks repaired or cleared by County on a semi-annual basis.

3.) Any other documents containing information not provided in AIR Reporting Requirements A through J submitted to upper management in connection with the AIR program, such as change orders for example.