



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center Suite 801
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www.nj.gov/bpu/

ENERGY

IN THE MATTER OF PETITION OF PIVOTAL UTILITY)
HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS TO)
EXTEND ITS UTILITY INFRASTRUCTURE)
ENHANCEMENT PROGRAM AND REVISE ITS UTILITY)
INFRASTRUCTURE ENHANCEMENT RATE)

DECISION AND ORDER
APPROVING FINAL
STIPULATION

DOCKET NO. GO10120969

AND

IN THE MATTER OF PETITION OF PIVOTAL UTILITY)
HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS FOR)
APPROVAL OF INCREASED BASE TARIFF RATES AND)
CHARGES FOR GAS SERVICES AND OTHER TARIFF)
REVISIONS)

DOCKET NO. GR09030195

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Paul Flanagan, Litigation Manager, Division of Rate Counsel; Felicia Thomas-Friel Managing Attorney – Gas, Division of Rate Counsel; Judith Appel and Henry M. Ogden and, Staff Attorneys, Division of Rate Counsel (Stefanie A. Brand, Director)

Alex Moreau and Anne Shatto, Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (Paula T. Dow, Attorney General of New Jersey)

BY THE BOARD¹:

BACKGROUND:

Pursuant to N.J.S.A. 48:2-21 and 48:2-21.1, Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas ("Elizabethtown" or "Company") filed a petition on January 20, 2009, requesting that the New Jersey Board of Public Utilities ("BPU" or the "Board") approve a Utility Infrastructure Enhancement Program ("Infrastructure Program") and Utility Infrastructure Enhancement Cost Recovery Rider ("UIE Rider") and establish an initial UIE Rider surcharge of \$0.0041 per therm

¹ Commissioner Nicholas Asselta did not participate in this matter.

to permit the recovery of costs for projects included within the Company's proposed Infrastructure Program.

Subsequent to discovery and public hearings, the Company, Board Staff and the Division of Rate Counsel ("Rate Counsel") executed, and submitted to the Board for consideration, a stipulation dated April 13, 2009 ("April 13 Stipulation"), specifying the agreed-upon capital projects ("Qualifying Projects"), their attendant costs and revenue requirements, applicable rate recovery mechanisms, anticipated job creation and Company reporting and rate filing requirements. By Order dated April 28, 2009 ("April 28 Order") the Board adopted the April 13 Stipulation authorizing gas distribution infrastructure-related work that the Company represented is outside the scope of its projected normal capital budget at a projected cost of approximately \$60.4 million over the two year period from April, 2009 through March 31, 2011. The Board noted that only capital projects which enhance the reliability, safety and security of a utility's distribution system are eligible under these programs as Qualifying Projects.

The April 28 Order set in motion four specific infrastructure investment projects, totaling \$60.4 million, which were designed to create 65 additional jobs while enhancing the provision of safe, adequate and proper service in Elizabethtown's service territory through capital investment in the Company's distribution system, and approved the establishment of an initial UIE Rider rate of \$0.0037 per therm, including taxes. The April 28 Order also required the Company to file an annual petition ("Annual Filing") to adjust its UIE Rider rate on or about January 1 of each year.

On November 10, 2009, the Company made its annual UIE Rider rate reconciliation filing ("2009 True-Up") in Docket No. GR09110925. The Board's December 22, 2009 Order issued in that proceeding, gave Elizabethtown the authority to provisionally increase the Company's UIE Rider rate from \$0.0037 per therm, including taxes, to its current rate of \$0.0116 per therm, including taxes, effective January 1, 2010.

The Board's December 17, 2009 Order ("December 17 Order") in Docket No. GR09030195, approved a November 29, 2009 Stipulation resolving a majority of the issues in Elizabethtown's most recent base rate case ("2009 Base Rate Case"). The December 17 Order also established a Phase II of the 2009 Base Rate Case ("Phase II Proceeding") to consider certain remaining issues, including a modification of Elizabethtown's base rates to reflect the costs associated with the Company's Infrastructure Program after Board approval.

On November 12, 2010, the Company filed its annual UIE Rider rate reconciliation petition ("2010 True-Up") in Docket No. GR10110836 to increase its UIE Rider rate from \$0.0116 per therm, including taxes, effective January 1, 2011. The 2010 True-Up also sought authority to reduce the scope of the Qualifying Projects in order to mitigate the impact of significant increases in the projected costs of the projects.

The Current Filing

On December 23, 2010, Elizabethtown filed a petition that proposed to (i) extend the term of the Company's Infrastructure Program for an additional 21-month period commencing April 1, 2011, (ii) expand the scope of the Infrastructure Program, and (iii) increase its UIE Rider rate by an add-on of \$0.0042 per therm, inclusive of all applicable sales and use taxes, to be assessed to the Company's firm service classification customers effective April 1, 2011.

Elizabethtown subsequently reconsidered its decision to reduce the scope of its Infrastructure Program, and proposed to complete the original Qualifying Projects in a manner consistent with

the scope of the Infrastructure Program approved by the April 28 Order, and to add an additional project to the Company's existing Infrastructure Program at a total projected incremental cost of \$40.1 million for the projects ("UIE II Projects").

UIE II Phase II Quarterly Spending Summary					
Name	Q1	Q2	Q3	Q4	Total Cost
10/12" Elevated Pressure Cast Iron	\$0	\$2,674,484	\$7,106,748	\$1,915,947	\$11,697,179
4" Low Pressure Cast Iron	\$0	\$3,194,279	\$2,366,218	\$0	\$5,560,497
Franklin-Sparta Uprating	\$0	\$200,000	\$553,000	\$752,000	\$1,505,000
ERW Transmission	\$0	\$0	\$500,000	\$394,073	\$894,073
Total 2011		\$6,068,763	\$10,525,966	\$3,062,020	\$19,656,749
12" Elevated Pressure Cast Iron	\$400,000	\$5,505,331	\$3,913,629	\$0	\$9,818,960
4" Low Pressure Cast Iron	\$475,582	\$3,536,474	\$0	\$0	\$4,012,056
Franklin-Sparta Uprating	\$0	\$0	\$0	\$0	\$0
ERW Transmission	\$0	\$3,000,000	\$3,595,927	\$0	\$6,595,927
Total 2012	\$875,582	\$12,041,805	\$7,509,556	\$0	\$20,428,943

Grand Total

\$40,083,692

Four public hearings were held: two on March 8, 2011 in Flemington and two on March 9, 2011 in Rahway, New Jersey. No members of the public attended.

On May 5, 2011, representatives of Elizabethtown, Board Staff and Rate Counsel (collectively, the "Parties"), executed a Final Stipulation² ("Final Stipulation") that provides for the following:

- 1) Elizabethtown represents that the four UIE II projects identified in Appendix A will assist the Company in providing safe, adequate and proper service to its customers, are incremental in nature and will continue to create jobs in support of ongoing economic development activities in New Jersey. 107 jobs were created through December 31, 2010 as a result of the Infrastructure Program. The Parties agree that 1) the UIE II projects appear to be reasonable and prudent, and that Elizabethtown should extend the term of its UIE Program; 2) the costs associated with the UIE II Projects are to be recovered through an adjustment to Elizabethtown's base rates ("UIE Revenue Adjustment"); and 3) will subject to a prudence review and Board Order.

²Although summarized in this Order, the detailed terms of the Stipulation control, subject to the findings and conclusions of this Order.

- 2) Appendix A describes each UIE II Project, the projected total cost for the UIE II Projects which is currently estimated to be \$40.1 million commencing May 2011 through October 31, 2012, the anticipated number of jobs created as a result of UIE II Projects, and the projected timeline and completion date for each UIE II Project. The Company anticipates that the UIE II Projects will create 66 full-time equivalent direct jobs.
- 3) The Company will commence construction and related spending associated with the UIE II Projects as soon as practicable following the date of the Board's approval of this Final Stipulation and will proceed in accordance with the estimated timeline set forth in Appendix A.
- 4) Elizabethtown anticipates that the work on all UIE II Projects will be completed by October 31, 2012. All costs incurred after October 31, 2012 will be considered in the Company's next base rate case or such other proceeding deemed appropriate by the Board.
- 5) Any project eliminations, modifications or substitutions will only be made with Board approval, based on consent of the Parties.
- 6) The Company's current capital budget provides for the following approximate levels of capital expenses for non-UIE Projects: \$37.0 million in fiscal year 2011, \$49.10 million in fiscal year 2012 and \$48.40 million in fiscal year 2013. Those budgeted levels of capital expenditures for non-Infrastructure Program projects include the following levels of expenses for the replacement of unprotected steel and cast iron mains: \$1.6 million in fiscal year 2011, \$1.6 million in fiscal year 2012 and \$1.6 million in fiscal year 2013. Elizabethtown also anticipates similar amounts will be spent in future years. Elizabethtown represents that the expenses related to the UIE II Projects are incremental to projected levels of capital expenditures for 2011, 2012 and 2013.
- 7) The Company agrees to file two separate annual petitions to the Board, one in June 2011, and one in October 2012 requesting authority to implement a UIE Revenue Adjustment in a manner consistent with the Final Stipulation. Each filing will be updated with actual results.
- 8) Actual UIE II investments that are still reflected in CWIP and not reflected as plant in service as of October 31, 2012, will not receive depreciation expense recovery until Elizabethtown's next base rate case or other proceeding deemed appropriate by the Board. Any remaining UIE II costs incurred after October 31, 2012 or any UIE investments placed in service after October 31, 2012 shall be subject to normal accounting and ratemaking practices. These costs will not be included in the Annual Filings contemplated by the Final Stipulation but may be considered for rate treatment in Elizabethtown's next base rate case or other proceeding deemed appropriate by the Board. The Parties reserved their rights with respect to the prospective rate treatment of all UIE II-related investments.
- 9) The Phase II Proceeding in the Company's 2009 Base Rate Case will remain open for the purpose of reviewing UIE I and II related costs, and implementing the UIE Revenue Adjustments. During the proceedings concerning the June 2011 Filing, a prudence review of the costs associated with original Qualifying Projects may be conducted as contemplated by the April 28 Order. UIE I and UIE II revenue adjustments will only be implemented after a prudence review of the UIE I and UIE II projects and will be subject to final approval and issuance of a Board Order establishing that the proposed rates are just and reasonable.
- 10) The revenue requirement for the UIE Revenue Adjustment is to be reflected in the June 2011 Filing and determined in a manner set for in Appendix B.1 and C.1 respectively.

- 11) The revenue requirement associated with the June 2011 and October 2012 UIE Revenue Adjustments shall be recovered through a uniform percentage increase in base rate revenues to all firm service classifications presently subject to the UIE Rider rate. The revised base rates will be calculated utilizing the billing determinants and assessments underlying the rates established in the 2009 Base Rate Case, and will be adjusted for applicable taxes. In accordance with the Company's currently effective tariff, the Margin Revenue Factor of the Weather Normalization Clause shall be redetermined for the revised base rates to reflect the UIE Revenue Adjustments.
- 12) Elizabethtown will provide the Minimum Filing Requirements information in Appendix D of the Final Stipulation, in its Annual Filings. The Company will also provide in each Annual Filing a detailed description, along with corresponding plant accounts, of the expenses that are reflected in each UIE II Project in identified on Appendix A of the Final Stipulation.
- 13) Elizabethtown will provide the Board Staff and Rate Counsel with quarterly progress reports in the format of Appendix E of the Final Stipulation.
- 14) Should Elizabethtown receive any federal, state, county or municipal funds or credits directly related to the UIE II Projects, the Company will use that funding as a benefit to customers by offsetting the costs for which recovery is sought to the extent permitted by law.

DISCUSSION AND FINDINGS

In the April 28 Order, the Board recognized that the acceleration of utility infrastructure projects and the treatment of capital expenses on an expedited schedule outside the purview of a rate case is not part of the normal course of utility regulation. However, based on economic conditions at that time, the Board found that it was appropriate and within the Board's authority to allow infrastructure projects which had already been researched and planned by the companies to be accelerated, and that enhanced investments in infrastructure would both increase reliability and promote employment. The Board continues to find those conclusions valid.

Now, as then, the Board takes notice of the fact that the financial markets remain volatile, affecting the utilities' ability to fund incremental infrastructure projects within the usual framework which requires that capital expenditures be recovered through a rate case only after projects are completed. N.J.S.A. 48:2-21. It is within a rate case that the property that is used and useful in the utility's provision of service is evaluated, and the expenses that can become components of just and reasonable rates are determined. In re Investigation of Tele. Cos., 66 N.J. 476 (1975). These difficult economic times continue to require creative responses that respect the law but adapt to extraordinary circumstances. In the past, the Board has found that it has the power to act to meet such challenges. N.J.S.A. 48:2-13; In re Implementation of the Two Bridges/Ramapo Water Diversion Project, BPU Docket No. 8011-870 (March 17, 1981). The Board continues to have that power.

Looking at the proposed infrastructure program extension, the Board is persuaded that the UIE II, if successfully executed, will both increase employment in the State and enhance the reliability of Elizabethtown's distribution system. Only capital projects which enhance the reliability, safety and security of a utility's distribution system are eligible as Qualifying Projects. These are projects originally scheduled for future years which can be brought forward into the 2011--2012 time period because they have already been researched and planned by the

Company. In the absence of this program, most of the projects would be completed, but only in future years.


Therefore, after review of the Final Stipulation and exhibits, the Board HEREBY FINDS the Final Stipulation to be reasonable, in the public interest, and in accordance with law, and HEREBY APPROVES the attached Final Stipulation in its entirety and HEREBY INCORPORATES its terms and conditions as though fully set forth herein.

DATED: 5/16/11

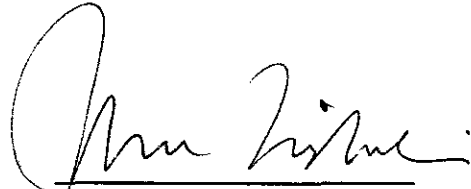
BOARD OF PUBLIC UTILITIES
BY:



LEE A. SOLOMON
PRESIDENT



JEANNE M. FOX
COMMISSIONER



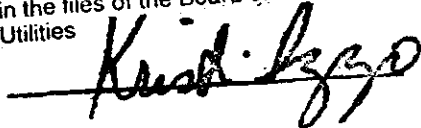
JOSEPH L. FIORDALISO
COMMISSIONER

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



I/M/O the Petition of Pivotal Utility Holdings, Inc.d/b/a Elizabethtown Gas
to Revise its Utility Infrastructure Enhancement Rate
BPU Docket Nos. GO10120969and GR0903015

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May 5, 2011

VIA ELECTRONIC MAIL AND FEDERAL EXPRESS

Honorable Kristi Izzo, Secretary
State of New Jersey
Board of Public Utilities
Two Gateway Center
Newark, New Jersey 07102

**Re: In The Matter Of The Petition Of Pivotal Utility Holdings, Inc. d/b/a
Elizabethtown Gas To Extend Its Utility Infrastructure Enhancement
Program and Revise Its Utility Infrastructure Enhancement Rate
BPU Docket No. GO10120969**

**In the Matter of the Petition of Pivotal Utility Holdings, Inc. d/b/a
Elizabethtown Gas For Approval of Increased Base Tariff Rates and
Charges For Gas Services and Other Tariff Revisions
BPU Docket No. GR09030195**

Dear Secretary Izzo:

Enclosed for filing in the above proceeding are an original and ten copies of a Final Stipulation executed by representatives of Pivotal Utility Holdings Inc. d/b/a Elizabethtown Gas ("Elizabethtown"), the Staff of the Board of Public Utilities and the Department of the Public Advocate, Division of Rate Counsel.

Please contact the undersigned if you have questions or require further information. Thank you.

Very truly yours,
/s/ Mary Patricia Keefe
Mary Patricia Keefe
Vice President, Regulatory Affairs

Encl.
cc: Service List

IN THE MATTER OF THE PETITION OF
PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS
TO EXTEND ITS UTILITY INFRASTRUCTURE ENHANCEMENT PROGRAM
AND REVISE ITS UTILITY INFRASTRUCTURE ENHANCEMENT RATE
BPU DOCKET NO. GO10120969

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Revised 5/5/11

**IN THE MATTER OF THE PETITION OF
PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS
TO EXTEND ITS UTILITY INFRASTRUCTURE ENHANCEMENT PROGRAM
AND REVISE ITS UTILITY INFRASTRUCTURE ENHANCEMENT RATE
BPU DOCKET NO. GO10120969**

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**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

-----X
In the Matter of the Petition of Pivotal Utility : **Docket No. GO10120969**
Holdings, Inc. d/b/a Elizabethtown Gas to Extend Its :
Utility Infrastructure Enhancement Program and :
Revise Its Utility Infrastructure Enhancement Rate :
-----X

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In the Matter of the Petition of Pivotal Utility : **Docket No. GR09030195**
Holdings, Inc. d/b/a Elizabethtown Gas For :
Approval of Increased Base Tariff Rates and :
Charges For Gas Services and Other Tariff :
Revisions : **FINAL STIPULATION**
-----X

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Alex Moreau and Anne Shatto Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (**Paula T. Dow**, Attorney General of New Jersey)

TO: THE NEW JERSEY BOARD OF PUBLIC UTILITIES

BACKGROUND

1. Pursuant to *N.J.S.A.* 48:2-21.1 and *N.J.S.A.* 48:2-21, Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas (“Elizabethtown” or “Company”) filed a petition (“Petition”) in Docket No. GO10120969 on December 23, 2010, requesting that the New Jersey Board of Public Utilities (“Board” or “BPU”) (i) extend the term of the Company’s Utility Infrastructure Enhancement Program (“UIE Program”) for an

additional 21-month period commencing April 1, 2011, (ii) expand the scope of the UIE Program, and (iii) increase its UIE Rider rate by an add-on of \$0.0042 per therm, inclusive of all applicable sales and use taxes, to be assessed to the Company's firm service classification customers effective April 1, 2011.

2. Elizabethtown's UIE Program was authorized by order dated April 28, 2009, ("April 28 Order") in Docket Nos. EO09010049 and GO09010053 *et al.* in which the Board approved a Stipulation dated April 13, 2009 ("April 13 Stipulation") among the Company, Board Staff and the Division of Rate Counsel ("Rate Counsel") in which these parties agreed to the accelerated investment by Petitioner in four capital projects ("UIE I Projects") involving gas distribution infrastructure-related work that is outside the scope of Petitioner's projected normal capital budget at a projected cost of approximately \$60.4 million over the two-year period commencing April, 2009 through March 31, 2011. The four UIE I Projects were 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.

3. The April 28 Order also approved the establishment of the initial UIE Rider rate of \$0.0037 per therm, inclusive of all applicable sales and use taxes. On November 10, 2009, the Company filed its annual UIE Rider rate reconciliation petition ("2009 True-Up") in BPU Docket No. GR09110925 and pursuant to a December 22, 2009 BPU Order issued in that proceeding, Elizabethtown received authority to provisionally increase the Company's UIE Rider rate from \$0.0037 per therm to its current rate of \$0.0116 per therm effective January 1, 2010.

4. By Board order dated December 17, 2009 ("December 17 Order") in BPU Docket No. GR09030195, the Board approved a November 29, 2009 Stipulation resolving most of the issues in Petitioner's last base rate case ("2009 Base Rate Case"). The December 17 Order also established a Phase II of the 2009 Base Rate Case ("Phase II Proceeding") to consider certain remaining issues, including the modification of Petitioner's base delivery rates as needed to incorporate the costs associated with Petitioner's UIE Program after Board approval

5. On November 12, 2010, the Company filed its annual UIE Rider rate reconciliation petition ("2010 True-Up") in BPU Docket No. GR10110836 to increase its UIE Rider rate ("UIE Rider") from \$0.0116 per therm to \$0.0186 per therm, inclusive of all taxes, effective January 1, 2011. In the 2010 True-Up the Company also sought authority to reduce the scope of the UIE I Projects in order to mitigate the impact of significant increases in the projected costs of the UIE I Projects, resulting in a projected total cost of \$68.6 million for the UIE I Projects.

6. Elizabethtown subsequently reconsidered its decision to reduce the scope of its UIE Program and proposed in the Petition to complete the UIE I Projects in a manner consistent with the original scope of the UIE Program approved by the April 28 Order and to add one additional project to its existing UIE Program at a total projected incremental cost of \$40.1 million for the UIE Projects ("UIE II" Projects).

7. Public notice was provided and four (4) public hearings concerning the Company's proposal to extend the UIE Program and increase the UIE Rider rate with the add-on were held on the following dates at 2 locations in the Elizabethtown service territory: two hearings on March 8, 2011 in Flemington, New Jersey, and two hearings

on March 9, 2011 in Rahway, New Jersey. No members of the public appeared at the public hearings.

8. Discovery questions and other information requests in this matter were propounded by Rate Counsel and Staff, and the Company responded thereto.

9. Subsequent to the completion and review of discovery and the four public hearings, representatives of Elizabethtown, Board Staff and Rate Counsel (the "Stipulating Parties") met to discuss the issues in this case and agreed to resolve this proceeding in accordance with the terms reflected in this Stipulation.

STIPULATED MATTERS

The Stipulating Parties hereby **STIPULATE AND AGREE** to the following:

UIE II Projects

10. Elizabethtown represents that the four UIE II projects identified in Appendix A attached hereto will assist the Company in providing safe, adequate and proper service to its customers, are incremental in nature and will continue to create jobs in support of ongoing economic development activities in New Jersey. 107 jobs were created through December 31, 2010 to support the UIE Program. Based on these representations, the UIE II projects appear to be reasonable and prudent, the Company should extend the term of its UIE Program, and the costs associated with the UIE II Projects are to be recovered through an adjustment to Elizabethtown's base rates (hereinafter referred to as the UIE Revenue Adjustment"), subject to review, as set forth below.

11. Appendix A contains a description of each UIE II Project, the projected costs for the UIE II Projects, currently estimated to be \$40.1 million, the anticipated

number of jobs created as a result of each UIE II Project, and the projected timeline and completion date for each UIE II Project. The Company anticipates that the UIE II Projects will create 66 full-time equivalent direct jobs. This estimate does not include ancillary employment opportunities that will further increase the overall benefits generated from the UIE II Projects.

12. Elizabethtown shall commence construction and related spending associated with the UIE II Projects as soon as practicable following the date of the Board's approval of this Stipulation at the Board's Agenda meeting and will proceed in accordance with the estimated timeline set forth in Appendix A. The Company anticipates that work on all UIE II Projects will be completed by October 31, 2012. All costs incurred after October 31, 2012 will be considered in Elizabethtown's next base rate case or such other proceeding deemed appropriate by the Board as provided below.

13. Based on current cost levels and available estimates, the estimated overall construction costs related to the UIE II Projects will be approximately \$40.1 million commencing May 2011 through October 31, 2012.

14. Elizabethtown's current capital budget contemplates the following approximate levels of capital expenditures for non-UIE Projects: \$37.0 million in fiscal year 2011, \$49.10 million in fiscal year 2012 and \$48.40 million in fiscal year 2013. Those budgeted levels of capital expenditures for non-UIE Projects include the following levels of expenditures for the replacement of unprotected steel and cast iron mains: \$1.6 million in fiscal year 2011, \$1.6 million in fiscal year 2012 and \$1.6 million in fiscal year 2013. The Company also anticipates similar amounts will be spent in future years. The

Company represents that the expenditures related to the UIE II Projects are incremental to projected levels of non-UIE related expenditures for 2011, 2012 and 2013.

15. Elizabethtown should recover the costs of the UIE II Projects listed in Appendix A through the UIE Revenue Adjustment, subject to a prudence review and Board Order, as provided below.

Substitution of UIE II Projects

16. If it is necessary for the Company to eliminate, modify the scope or substitute another project for any of the UIE II Projects during the term of the UIE Program, notice of any such changes and an opportunity for review and comment shall be provided to the Stipulating Parties, and any substitutions shall only be made with Board approval. Before seeking such approval, the Company will consult with the Stipulating Parties.

Accounting Methodology for UIE II Projects

17. While the individual UIE II Projects are under construction they will be separately tracked in a construction work in progress ("CWIP") account and each such UIE II Project will accrue an allowance for funds used during construction ("AFUDC") on a monthly basis using the Federal Energy Regulatory Commission ("FERC") methodology described below in paragraph 18. When a UIE II Project is placed in service but not yet reflected in the calculation of the Company's base rates, such project will accrue an AFUDC on a monthly basis at a cost of capital rate set forth in paragraph 19 of this Stipulation. The AFUDC shall be capitalized and included in the CWIP balances in order to be recovered through the UIE Revenue Adjustment as provided for in this Stipulation.

18. The AFUDC rate to be applied to UIE II Projects is based on the FERC methodology determined as follows: (a) if the Company's total CWIP balance, including all CWIP associated with UIE II Projects is less than or equal to AGL Resource Inc.'s ("AGL") outstanding short-term debt ("S/T debt") balance at each month-end, the applicable AFUDC rate will be equal to AGL's monthly cost of S/T debt; (b) if Elizabethtown's total CWIP balance, including all CWIP associated with UIE II Projects, is greater than AGL's outstanding S/T debt, the applicable AFUDC rate for UIE II Projects will result in a monthly AFUDC calculation based on a blend of the S/T debt rate for that portion of the CWIP balance equal to the month-end S/T debt balance and an Adjusted Weighted Average Cost of Capital rate of 7.64% (hereinafter referred to as the "Adjusted WACC rate"), for those portions of UIE II CWIP in excess of Elizabethtown's month-end S/T debt balance; or (c) if AGL has no short-term debt balance at month end, the AFUDC rate will be at the Adjusted WACC rate. The Adjusted WACC rate reflected in this paragraph is based on the capital structure ratios and return on equity rate authorized in the 2009 Base Rate Case, as updated to reflect S/T debt and long term debt cost rates as of March 31, 2011. UIE II expenditures included in CWIP after October 31, 2012 will be accounted for in the manner provided for in paragraph 27 of this Stipulation.

19. A UIE II Project that is placed in service on or before October 31, 2012, but not yet reflected in the Company's base rates, will accrue AFUDC equal to the Adjusted WACC rate defined above until it is reflected in base rates in the manner described in paragraph 26 of this Stipulation. UIE II expenditures related to projects placed in service after October 31, 2012 will be accounted for in the manner provided for in paragraph 27 of this Stipulation.

20. In determining the monthly CWIP base upon which to apply the monthly AFUDC rate(s), a deduction will be made for any UIE II CWIP amount included in Elizabethtown's base rates as a result of the Board's approval of the June 2011 Filing made in accordance with paragraph 22 of this Stipulation.

21. The Company will not accrue depreciation expense for book accounting purposes on an in-service UIE II Project prior to the effective dates of the UIE Revenue Adjustments made in accordance with paragraphs 23 and 26, respectively, of this Stipulation.

Cost Recovery

22. To enable Elizabethtown to fully recover the costs associated with the UIE I and II Projects, Elizabethtown will submit two separate annual Petitions to the Board in June 2011 ("June 2011 Filing") and October 2012 ("October 2012 Filing") (collectively, the "Annual Filings") requesting authority to implement a UIE Revenue Adjustment in a manner consistent with this Stipulation. The June 2011 Filing will be supplemented with an update for actual results through August 31, 2011 when such information becomes available. The October 2012 Filing will be supplemented with an update for actual results through October 31, 2012 when such information becomes available.

23. The June 2011 Filing will include a request for authority to implement a UIE Revenue Adjustment effective on October 1, 2011 to enable the Company to recover the costs associated with all UIE I plant in service as of May 31, 2011 and all UIE II plant in service and UIE II CWIP and associated capitalized AFUDC as of August 31, 2011.

24. The revenue requirement for the UIE Revenue Adjustment to be reflected in the June 2011 Filing will include the following components and shall be determined in

the manner reflected in the sample calculations set forth in Appendix B.1 and C.1, respectively, with corresponding supporting schedules set forth in Appendices B.2, B.3, C.2 and C.3, respectively:

(a) a rate of return on UIE I rate base as of May 31, 2011 at the net after tax WACC rate of 6.53% underlying the Company's base rates established in the 2009 Base Rate Case plus annualized depreciation expense using a rate of 1.5% and adjusted to reflect the tax benefits of such depreciation expense multiplied by the revenue gross-up factor of 1.72431; and

(b) a rate of return on all UIE II investments reflected in CWIP whether in service or not as of August 31, 2011 - inclusive of capitalized AFUDC, as adjusted for accumulated depreciation and deferred taxes - at the net after tax Adjusted WACC rate defined in paragraph 18 above, plus depreciation expense using a rate of 1.77% and adjusted to reflect the tax benefits of such depreciation expense multiplied by the revenue gross-up factor of 1.72431. Only UIE II investments that are in service as of August 31, 2011 will receive rate recovery for depreciation expense effective October 1, 2011.

25. Any UIE I over- or under-recovery balance accumulated through the date preceding the effective date of any UIE I-related base rate adjustments will continue to be credited or charged through the UIE Rider rate and imposed on all customers subject to the UIE Rider rate until the balance of the UIE I costs, including carrying costs, are fully reconciled or a near zero balance is achieved, at which time the UIE Rider rate will be

terminated and any residual balance credited or charged to the Basic Gas Supply Service – Periodic (“BGSS-P”) rate. The Company will give five business days’ notice to the Board Secretary and the Stipulating Parties prior to setting the rate to zero and submit proposed tariff sheets reflecting this change within ten (10) days of such notice. In addition, the Company shall provide the Board Secretary and the Stipulating Parties with a final reconciliation of the UIE Rider rate balance within sixty days after setting the rate to zero. This balance and any residual bill adjustment activity will be reflected in a subsequent BGSS filing.

26. The October 2012 Filing will include a request for authority to implement a UIE Revenue Adjustment effective on January 1, 2013 to enable the Company to recover the costs associated with all UIE II plant in service and UIE II CWIP and associated capitalized AFUDC as of October 31, 2012 that have not been previously rolled into base rates. The revenue requirement for the UIE Revenue Adjustment to be reflected in the October 2012 Filing will include the components reflected above in paragraph 24.(b) and shall be determined in the manner reflected in the sample calculations set forth in Appendix C for UIE II investments.

27. Actual UIE II investments that are still reflected in CWIP and not reflected as plant in service as of October 31, 2012 will not receive depreciation expense recovery until Elizabethtown’s next base rate case or other proceeding deemed appropriate by the Board. Any remaining UIE II costs incurred after October 31, 2012 or any UIE II investments placed in service after October 31, 2012 shall be subject to normal accounting and ratemaking practices. These costs will not be included in the UIE Revenue Adjustment Annual Filings contemplated by this Stipulation but may be

considered for rate treatment in Elizabethtown's next base rate case or other proceeding deemed appropriate by the Board. The Parties reserve all rights with respect to the prospective rate treatment of all such UIE II-related investments.

28. The Phase II Proceeding in the Company's 2009 Base Rate Case will continue to remain open for the purpose of reviewing UIE I and II related costs and implementing the UIE Revenue Adjustments provided for herein. During the proceedings concerning the June 2011 Filing, a prudence review of the costs associated with UIE I Projects may be conducted as contemplated by the April 28 Order. UIE I and UIE II revenue adjustments will only be implemented after a prudence review of the UIE I and UIE II projects and will be subject to final approval and issuance by the order of the Board establishing that the proposed rates are just and reasonable. In the June 2011 Filing, the prudence review will take place from June through September 2011 and in the October 2012 Filing, the prudence review will take place from October 2012 through December 2012.

Rate Design

29. The revenue requirement associated with the June 2011 and October 2012 UIE Revenue Adjustments shall be recovered through a uniform percentage increase in base rate revenues to all firm service classifications presently subject to the UIE Rider rate. The revised base rates will be calculated utilizing the billing determinants and assessments underlying the rates established in the 2009 Base Rate Case and will be adjusted for applicable taxes. In accordance with the Company's currently effective tariff, the Margin Revenue Factor of the Weather Normalization Clause shall be redetermined for the revised base rates to reflect the UIE Revenue Adjustments.

Rate Impact

30. The Company estimates that the monthly impact of the October 1, 2011 UIE Revenue Adjustment on a typical residential heating customer using 100 therms will be an increase of \$2.67 or 2.1% as compared to the Company's currently effective rates. Once the UIE Revenue Rider rate is fully reconciled, the Company anticipates a decrease in that same customer's bill.

Minimum Filing Requirements

31. The Company will provide the information set forth in the Minimum Filing Requirements attached hereto as Appendix D and made a part of this Stipulation, in its Annual Filings. The Company will also provide in each filing a detailed description, along with corresponding plant accounts, of the expenditures that are reflected in each UIE II Project in Appendix A.

Quarterly Reporting

32. Elizabethtown will continue to provide quarterly reports ("Quarterly Reports") to Board Staff and Rate Counsel reflecting capital expenditures and the job growth resulting from the implementation of each of the UIE I through May 31, 2011 and UIE II Projects through October 31, 2012. The Quarterly Reports will contain the same information that has been historically provided for the UIE I Projects using the format set forth in Appendix E attached hereto and made a part of this Stipulation. Appendix E contains the same Quarterly Report format set forth in Appendix F to the April 13 Stipulation approved by the Board's April 28 Order.

Calculation of Jobs Created

33. Job creation is an integral part of the State's objectives underlying the UIE Projects. For the purposes of reporting jobs associated with the UIE Projects, the Company will define a Full-Time Equivalent ("FTE") job as 1,820 man hours.

Government Funding

34. On February 17, 2009, the Federal American Recovery and Reinvestment Act of 2009 ("ARRA") (Pub. L. No. 111-5) was signed into law by President Barack Obama. Subject to any restrictions set forth in the ARRA and other applicable law, if the Company gets federal funds or credits directly related to the UIE II Projects through the ARRA, the Company will utilize that money to offset the UIE II Projects' costs. If funding or credits from the ARRA or any subsequent state or federal action become available to the Company through the State of New Jersey, a County or Municipality for project reimbursement, then any such funds or credits directly applicable to work related to the UIE II Projects will be used to benefit customers by offsetting the costs for which recovery will be sought to the extent permitted by law.

Further Provisions

35. This Stipulation represents a mutual balancing of interests and, therefore, is intended to be accepted and approved in its entirety. In the event that the Board does not adopt this Stipulation in its entirety in an Order, then any 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.

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

37. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of this proceeding. Except as expressly provided herein, the Stipulating Parties 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 Parties hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving this Stipulation in its entirety in accordance with the terms hereof, as soon as reasonably possible.

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

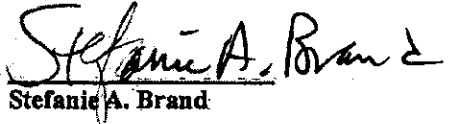
By:



Mary Patricia Keefe
Vice President, Regulatory Affairs
Assistant Corporate Secretary

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

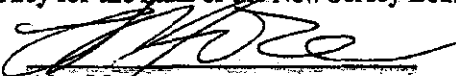
By:



Stefanie A. Brand

**PAULA T. DOW
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the New Jersey Board of Public Utilities**

By:



Alex Moreau
Deputy Attorney General

Dated: May 5, 2011

**Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas
UIE Phase II Projects**

	Total Capital <u>Spending</u>	Proposed New Main <u>(Miles)</u>	<u>Jobs</u>
1) EP Cast Iron Projects Beginning: May 2011 Ending: Aug. 2012	\$21,516,139	10.4	35
2) LP Cast Iron Projects Beginning: May 2011 Ending: Jun. 2012	9,572,553	7.4	19
3) Franklin - Sparta Uprating Beginning: June 2011 Ending: Dec. 2011	1,505,000	0	3
4) Pre-1971 ERW Transmission Class 3 Beginning: Aug: 2011 Ending: Sept. 2012	<u>7,490,000</u>	<u>4.5</u>	<u>9</u>
Total 2011 & 2012	\$40,083,692	22.3	66
<u>2011</u>			
1) EP Cast Iron Projects	\$11,697,179	5.0	20
2) LP Cast Iron Projects	5,560,497	4.5	12
3) Franklin - Sparta Uprating	1,505,000	0	3
4) Pre-1971 ERW Transmission Class 3	<u>894,073</u>	<u>0</u>	<u>0</u>
Total 2011	\$19,656,749	9.5	35
<u>2012</u>			
1) EP Cast Iron Projects	\$9,818,960	5.4	15
2) LP Cast Iron Projects	4,012,056	2.9	7
3) Franklin - Sparta Uprating	0	0	0
4) Pre-1971 ERW Transmission Class 3	<u>6,595,927</u>	<u>4.5</u>	<u>9</u>
Total 2012	\$20,426,943	12.8	31

UIE Phase II Quarterly Spending Summary					
Project	Q1	Q2	Q3	Q4	Total Cost
10/12" Elevated Pressure Cast Iron	\$0	\$2,674,484	\$7,106,748	\$1,915,947	\$11,697,179
4" Low Pressure Cast Iron	\$0	\$3,194,279	\$2,366,218	\$0	\$5,560,497
Franklin-Sparta Uprating	\$0	\$200,000	\$553,000	\$752,000	\$1,505,000
ERW Transmission	\$0	\$0	\$500,000	\$394,073	\$894,073
Total 2011	\$0	\$6,068,763	\$10,525,966	\$3,062,020	\$19,656,749
12" Elevated Pressure Cast Iron	\$400,000	\$5,505,331	\$3,913,629	\$0	\$9,818,960
4" Low Pressure Cast Iron	\$475,582	\$3,536,474	\$0	\$0	\$4,012,056
Franklin-Sparta Uprating	\$0	\$0	\$0	\$0	\$0
ERW Transmission	\$0	\$3,000,000	\$3,595,927	\$0	\$6,595,927
Total 2012	\$875,582	\$12,041,805	\$7,509,556	\$0	\$20,426,943

Grand Total \$40,083,692

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS
UTILITY INFRASTRUCTURE ENHANCEMENT ("UIE")

UIE Phase I Ending May 31, 2011 (UIE-I)

REVENUE ADJUSTMENT
October 1, 2011

Rate Base as of May 31, 2011		\$50,805,792
Rate of Return - net		6.53%
		<u>\$3,317,618</u>
Annual Depreciation Expense	\$979,713	
Depreciation Exp, Tax / After Tax	<u>\$400,213</u>	\$579,500
Allowable Net Income		<u>\$3,897,118</u>
Revenue Factor, per UIE II Stipulation		<u>1.72431</u>
Revenue Requirement		<u><u>\$6,719,840</u></u>

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS
UTILITY INFRASTRUCTURE ENHANCEMENT ("UIE")

**UIE Phase I Ending May 31, 2011 (UIE-I)
Rate Base Roll -In**

a	Capitalized Expenditures MPS-2 b	Gross Plant In Service c	Average Gross Plant In Service d	Avg. Book Deprec. % Rate e	Monthly Deprec. f (note 1)	Accum. Deprec. g= cum of f	Accum. Deferred Income Tax h (note 2)	Rate Base i=c-q-h
Begin Balance		\$0				\$0		\$0
Apr-09	\$0	\$0	\$0	2.14%	\$0	\$0	\$0	\$0
May-09	\$0	\$0	\$0	2.14%	\$0	\$0	\$0	\$0
Jun-09	\$562,835	\$562,835	\$281,418	2.14%	\$0	\$0	\$116,088	\$446,747
Jul-09	\$9,211	\$572,046	\$567,441	2.14%	\$1,020	\$1,020	\$118,534	\$452,492
Aug-09	\$573,751	\$1,145,797	\$858,922	2.14%	\$3,066	\$4,086	\$236,842	\$904,869
Sep-09	\$135,071	\$1,280,868	\$1,213,333	2.14%	\$2,766	\$6,852	\$266,136	\$1,007,880
Oct-09	\$2,305,417	\$3,586,285	\$2,433,577	2.14%	\$18,729	\$25,581	\$740,812	\$2,819,892
Nov-09	\$1,034,772	\$4,621,057	\$4,103,671	2.14%	\$15,622	\$41,203	\$860,735	\$3,719,119
Dec-09	\$5,220,565	\$9,841,622	\$7,231,340	1.83%	\$56,008	\$97,211	\$2,082,609	\$7,661,802
Jan-10	\$1,229,078	\$11,070,700	\$10,456,161	1.50%	\$12,302	\$109,513	\$2,115,648	\$8,845,539
Feb-10	\$441,880	\$11,512,580	\$11,291,640	1.50%	\$12,302	\$121,815	\$2,157,351	\$9,233,414
Mar-10	\$1,871,842	\$13,384,422	\$12,448,501	1.50%	\$12,302	\$134,117	\$2,239,424	\$11,010,881
Apr-10	\$2,470,657	\$15,855,079	\$14,619,751	1.50%	\$12,302	\$146,419	\$2,380,702	\$13,327,958
May-10	\$19,927,806	\$35,782,885	\$25,818,982	1.50%	\$12,302	\$158,721	\$3,059,209	\$32,564,955
Jun-10	\$5,178,431	\$40,961,316	\$38,372,101	1.50%	\$12,302	\$171,023	\$3,897,263	\$36,893,030
Jul-10	\$5,166,212	\$46,127,528	\$43,544,422	1.50%	\$57,660	\$228,683	\$4,896,756	\$41,002,089
Aug-10	\$4,499,344	\$50,626,872	\$48,377,200	1.50%	\$68,908	\$297,591	\$6,084,643	\$44,244,638
Sep-10	\$5,838,982	\$56,465,854	\$53,546,363	1.50%	\$85,180	\$382,771	\$7,578,943	\$48,504,140
Oct-10	\$3,415,190	\$59,881,044	\$58,173,449	1.50%	\$87,659	\$470,430	\$9,020,752	\$50,389,862
Nov-10	\$3,197,020	\$63,078,064	\$61,479,554	1.50%	\$94,833	\$565,263	\$10,801,337	\$51,711,464
Dec-10	\$1,199,598	\$64,277,662	\$63,677,863	1.50%	\$87,845	\$653,108	\$13,064,613	\$50,559,941
Jan-11	\$297,043	\$64,574,705	\$64,426,184	1.50%	\$80,347	\$733,455	\$13,137,441	\$50,703,809
Feb-11	\$26,146	\$64,600,851	\$64,587,778	1.50%	\$80,347	\$813,802	\$13,210,773	\$50,576,276
Mar-11	\$13,382	\$64,614,233	\$64,607,542	1.50%	\$80,347	\$894,149	\$13,284,651	\$50,435,433
Apr-11	\$0	\$64,614,233	\$64,614,233	1.50%	\$80,347	\$974,496	\$13,358,529	\$50,281,208
May-11	\$700,000	\$65,314,233	\$64,964,233	1.50%	\$80,347	\$1,054,843	\$13,453,598	\$50,805,792

(1) Book Depreciation is calculated based on each months Capitalized Expenditures using current Board-approved depreciation rates and the half year methodology, for the first year when placed in service. The first years capital depreciation is booked in July through December.

(2) Tax Depreciation is based on Depreciable property times the applicable Modified Accelerated Cost Recovery System (MACRS) rate and Bonus Depreciation in 2011.

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS
UTILITY INFRASTRUCTURE ENHANCEMENT ("UIE")

UIE Phase I Ending May 31, 2011 (UIE-I)
UIE Actual / Projected Capital Spending and Capitalized In-Service Expenditures

	Actual / Projected Capital Spending					Actual / Projected Capitalized In-Service Expenditures (1)				
	Project 1 10" & 12" EP	Project 2 4 "LP	Project 3 Franklin - Sparta	Project 4 Washington Newton	Act./ Proj. Capital Spending	Project 1 10" & 12" EP	Project 2 4 "LP	Project 3 Franklin - Sparta	Project 4 Washington Newton	Total Actual In-Service Expenditures
Apr-09	\$0	\$2,880			\$2,880	\$0	\$0	\$0	\$0	\$0
May-09	\$5,524	\$95,733			\$101,257	\$0	\$0	\$0	\$0	\$0
Jun-09	\$287,538	\$732,018	\$144,170		\$1,163,726	\$198,955	\$363,880	\$0	\$0	\$562,835
Jul-09	\$247,255	\$283,169	\$7,021		\$537,445	\$0	\$9,211	\$0	\$0	\$9,211
Aug-09	\$90,193	\$677,819	\$1,142,073	\$167,737	\$2,077,822	\$30,078	\$543,673	\$0	\$0	\$573,751
Sep-09	\$904,765	\$1,383,137	\$1,792,818	\$2,255,336	\$6,336,056	\$37,713	\$97,358	\$0	\$0	\$135,071
Oct-09	\$35,699	\$177,316	\$2,207,475	\$126,920	\$2,547,410	\$865,203	\$1,440,214	\$0	\$0	\$2,305,417
Nov-09	\$229,349	\$369,118	\$286,625	(\$2,177,989)	(\$1,292,897)	\$238,759	\$796,013	\$0	\$0	\$1,034,772
Dec-09	\$1,869,436	\$2,678,491	(\$451,230)	\$4,071,495	\$8,168,192	\$48,658	\$253,355	\$4,918,552	\$0	\$5,220,565
Total 2009	\$3,669,759	\$6,399,681	\$5,128,952	\$4,443,499	\$19,641,891	\$1,419,366	\$3,503,704	\$4,918,552	\$0	\$9,841,622
Jan-10	\$87,998	\$477,268	\$60,681	(\$90,462)	\$535,485	\$365,681	\$604,552	\$258,845	\$0	\$1,229,078
Feb-10	\$432,004	\$919,614	\$24,034	\$807,784	\$2,183,436	\$52,574	\$357,551	\$31,755	\$0	\$441,880
Mar-10	\$90,818	(\$173,809)	\$725	\$2,448,135	\$2,365,869	\$1,179,553	\$687,775	\$4,514	\$0	\$1,871,842
Apr-10	\$103,498	\$794,832	\$3,336	\$4,077,491	\$4,979,157	\$589,641	\$1,877,871	\$3,145	\$0	\$2,470,657
May-10	\$2,905,711	\$3,369,170	\$142,189	\$3,284,966	\$9,702,036	\$2,407,409	\$2,679,442	\$129,289	\$14,711,666	\$19,927,806
Jun-10	\$3,112,866	\$1,463,505	\$147,502	\$1,581,889	\$6,305,762	\$2,335,886	\$1,190,476	\$16,104	\$1,635,965	\$5,178,431
Jul-10	\$3,858,513	\$1,790,911	\$34,825	\$486,201	\$6,170,450	\$2,306,320	\$2,279,807	\$174,151	\$405,934	\$5,166,212
Aug-10	\$3,247,015	\$1,322,146	\$181,828	\$94,953	\$4,845,942	\$3,000,618	\$955,573	\$171,188	\$371,965	\$4,499,344
Sep-10	\$2,285,446	\$2,218,051	\$117,898	\$1,378,735	\$6,000,130	\$2,942,997	\$1,621,919	\$88,966	\$1,185,100	\$5,838,982
Oct-10	\$2,046,730	\$329,684	\$37,858	\$313,414	\$2,727,686	\$2,392,388	\$500,873	\$48,471	\$473,458	\$3,415,190
Nov-10	\$206,703	(\$74,501)	\$119,988	\$46,076	\$298,266	\$1,985,865	\$833,868	\$110,656	\$266,631	\$3,197,020
Dec-10	\$344,368	\$598,999	\$9,508	\$846,008	\$1,798,883	\$386,677	\$314,650	\$47,193	\$451,078	\$1,199,598
Total 2010	\$18,721,670	\$13,035,870	\$880,372	\$15,275,190	\$47,913,102	\$19,945,609	\$13,904,357	\$1,084,277	\$19,501,797	\$54,436,040
Incep. to Date	\$22,391,429	\$19,435,551	\$6,009,324	\$19,718,689	\$67,554,993	\$21,364,975	\$17,408,061	\$6,002,829	\$19,501,797	\$64,277,662
Jan-11	\$27,629	\$97	\$7,682	\$0	\$35,408	\$74,838	\$34,577	\$0	\$187,628	\$297,043
Feb-11	(\$464)	(\$1,807)	\$5	(\$15,058)	(\$17,324)	\$9,212	\$802	\$5	\$16,127	\$26,146
Mar-11	(\$735)	(\$4,229)	\$140	\$3,136	(\$1,688)	\$3,879	\$2,941	\$6,562	\$0	\$13,382
Apr-11	\$0	\$0	\$0	\$700,000	\$700,000	\$0	\$0	\$0	\$0	\$0
May-11	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Jun-11	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$700,000	\$0	\$700,000
Jul-11	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Aug-11	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sep-11	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Oct-11	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Nov-11	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dec-11	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total 2011	\$26,430	(\$5,939)	\$7,827	\$688,078	\$716,396	\$67,929	\$38,320	\$6,567	\$903,755	\$1,036,571
Grand Total	\$22,417,859	\$19,429,612	\$6,017,151	\$20,406,767	\$68,271,389	\$21,452,904	\$17,446,381	\$6,009,396	\$20,405,552	\$65,314,233
								(\$7,755)	(\$1,215)	

* Projected

(1) Amounts that recorded on the Company's plant books when placed in service and used to derive the Monthly Revenue Requirement

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS
UTILITY INFRASTRUCTURE ENHANCEMENT ("UIE")

UIE Phase II as of August 31, 2011 (UIE-II)

REVENUE ADJUSTMENT

	Base Rate Adj October 1, 2011	Base Rate Adj January 1, 2013
Capitalizable Costs - CWIP thru August 31, 2011 (est) *	\$4,008,298	(\$4,008,298)
Capitalizable Costs - In Service August 31 (est) *	\$9,316,836	\$28,204,245
Accumulated Depreciation	(\$83,074)	(\$423,711)
AFUDC (est to be included in cost balances)	\$70,000	\$899,000
	<u>\$13,312,060</u>	<u>\$24,671,236</u>
Deferred Income Tax Credits	(\$1,136,223)	(\$7,751,809)
	<u>\$12,175,837</u>	<u>\$16,919,427</u>
Rate of Return - net	6.53%	6.53%
	<u>\$795,082</u>	<u>\$1,104,839</u>
Depreciation Exp, net of tax	\$98,276	\$304,698
	<u>\$893,358</u>	<u>\$1,409,537</u>
Revenue Factor, per UIE II Stipulation	1.72431	1.72431
Revenue Requirement	<u>\$1,540,426</u>	<u>\$2,430,479</u>
Depreciation Expense		
Depreciable Balance as of 8/31/2011	\$9,316,836	\$28,204,245
AFUDC included in balance	\$70,000	\$899,000
Depreciable Balance	<u>\$9,386,836</u>	<u>\$29,103,245</u>
Composite Depreciation Rate, per Rate Case Order	1.770%	1.77%
Depreciation Expense	<u>\$166,147</u>	<u>\$515,127</u>

* Includes applicable AFUDC; For Base Rate Adj. Jan. 1, 2013, Capitalizable Costs - CWIP and Capitalizable Costs - In Service will be through Oct. 31, 2012.

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS
UTILITY INFRASTRUCTURE ENHANCEMENT ("UIE")

UIE Phase II as of August 31, 2011 (UIE-II)
Accumulated Deferred Income Tax Credit

	Monthly Eligible Investment	Cumulative Eligible Investment	Monthly Book Depreciation @ 1.77%	Monthly Tax Depreciation	Difference	Deferred Income Taxes @ 40.85%	Accumulated Deferred Income Taxes
Jan-11	\$0	\$0	\$0	-	-	-	-
Feb-11	\$0	\$0	\$0	-	-	-	-
Mar-11	\$0	\$0	\$0	-	-	-	-
Apr-11	\$0	\$0	\$0	-	-	-	-
May-11	\$627,394	\$627,394	\$0	78,424	78,424	32,036	32,036
Jun-11	\$1,861,900	\$2,489,294	\$0	344,410	344,410	140,691	172,727
Jul-11	\$2,488,331	\$4,977,625	\$7,342	759,132	751,790	307,106	479,833
Aug-11	\$4,339,211	\$9,316,836	\$20,143	1,626,974	1,606,831	656,390	1,136,223
Sep-11	\$4,508,299	\$13,825,135	\$33,691	2,754,049	2,720,358	1,111,266	2,247,489
Oct-11	\$1,601,425	\$15,426,560	\$29,840	3,287,857	3,258,017	1,330,900	3,578,389
Nov-11	\$1,399,261	\$16,825,821	\$33,074	3,987,488	3,954,414	1,615,378	5,193,767
Dec-11	\$460,587	\$17,286,408	\$28,894	4,448,075	4,419,181	1,805,235	6,999,002
Jan-12	\$250,000	\$17,536,408	\$25,497	781	(24,716)	(10,096)	6,988,906
Feb-12	\$0	\$17,536,408	\$25,497	781	(24,716)	(10,096)	6,978,810
Mar-12	\$0	\$17,536,408	\$25,497	781	(24,716)	(10,096)	6,968,714
Apr-12	\$0	\$17,536,408	\$25,497	781	(24,716)	(10,096)	6,958,618
May-12	\$3,049,862	\$20,586,270	\$25,497	15,077	(10,420)	(4,257)	6,954,361
Jun-12	\$3,006,432	\$23,592,702	\$25,497	237,876	212,379	86,757	7,041,118
Jul-12	\$2,006,433	\$25,599,135	\$37,758	411,348	373,590	152,612	7,193,730
Aug-12	\$2,486,858	\$28,085,993	\$45,094	669,360	624,266	255,013	7,448,743
Sep-12	\$8,000,000	\$36,085,993	\$76,826	1,706,860	1,630,034	665,869	8,114,612
Oct-12	\$1,435,088	\$37,521,081	\$61,693	1,955,011	1,893,318	773,420	8,888,032

(1) Book Depreciation is calculated based on each months Capitalized Expenditures using current Board-approved depreciation rates and the half year methodology, for the first year when placed in service. The first years capital depreciation is booked in July through December.

(2) Tax Depreciation is based on Depreciable property times the applicable Modified Accelerated Cost Recovery System (MACRS) rate and Bonus Depreciation in 2011.

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS
UTILITY INFRASTRUCTURE ENHANCEMENT ("UIE")

UIE II Actual / Projected Capital Spending and Capitalized In-Service Expenditures

	Actual / Projected Capital Spending - wof Removal Costs					Actual / Projected Capitalized In-Service Expenditures (1)				
	Project 1 10 & 12" EP	Project 2 4" LP	Project 3 Franklin - Sparta Upgrade	Project 4 ERW Transmission	Act./ Proj. Capital Spending	Project 1 10 & 12" EP	Project 2 4" LP	Project 3 Franklin - Sparta Upgrade	Project 4 ERW Transmission	Total Actual In-Service Expenditures
Jan-11	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Feb-11	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Mar-11	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Apr-11	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
May-11	\$780,000	\$1,254,787	\$0	\$0	\$2,034,787	\$0	\$627,394	\$0	\$0	\$627,394
Jun-11	\$1,778,875	\$1,645,012	\$200,000	\$0	\$3,623,887	\$412,000	\$1,449,900	\$0	\$0	\$1,861,900
Jul-11	\$2,257,825	\$1,236,000	\$100,000	\$0	\$3,593,825	\$847,825	\$1,440,506	\$200,000	\$0	\$2,488,331
Aug-11	\$2,703,963	\$968,672	\$200,000	\$200,000	\$4,072,635	\$3,136,875	\$1,102,336	\$100,000	\$0	\$4,339,211
Sep-11	\$1,700,000	\$0	\$250,000	\$300,000	\$2,250,000	\$3,823,963	\$484,336	\$200,000	\$0	\$4,508,299
Oct-11	\$1,500,686	\$0	\$250,000	\$394,073	\$2,144,759	\$1,351,425	\$0	\$250,000	\$0	\$1,601,425
Nov-11	\$210,587	\$0	\$250,000	\$0	\$460,587	\$1,149,261	\$0	\$250,000	\$0	\$1,399,261
Dec-11	\$0	\$0	\$250,000	\$0	\$250,000	\$210,587	\$0	\$250,000	\$0	\$460,587
Total 2011	\$10,931,936	\$5,104,471	\$1,500,000	\$894,073	\$18,430,480	\$10,931,936	\$5,104,472	\$1,250,000	\$0	\$17,286,408
Jan-12	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$250,000	\$0	\$250,000
Feb-12	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Mar-12	\$400,000	\$400,000	\$0	\$0	\$800,000	\$0	\$0	\$0	\$0	\$0
Apr-12	\$1,400,000	\$1,300,000	\$0	\$1,000,000	\$3,700,000	\$0	\$0	\$0	\$0	\$0
May-12	\$2,000,000	\$789,234	\$0	\$1,000,000	\$3,789,234	\$1,800,000	\$1,249,862	\$0	\$0	\$3,049,862
Jun-12	\$1,846,619	\$1,260,352	\$0	\$1,000,000	\$4,106,971	\$2,000,000	\$1,006,432	\$0	\$0	\$3,006,432
Jul-12	\$1,894,073	\$0	\$0	\$1,000,000	\$2,894,073	\$1,000,000	\$1,006,433	\$0	\$0	\$2,006,433
Aug-12	\$1,694,396	\$0	\$0	\$1,000,000	\$2,694,396	\$2,000,000	\$486,858	\$0	\$0	\$2,486,858
Sep-12	\$0	\$0	\$0	\$1,105,927	\$1,105,927	\$2,000,000	\$0	\$0	\$6,000,000	\$8,000,000
Oct-12	\$0	\$0	\$0	\$0	\$0	\$435,088	\$0	\$0	\$1,000,000	\$1,435,088
Nov-12	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dec-12	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total 2012	\$9,235,088	\$3,749,586	\$0	\$6,105,927	\$19,090,601	\$9,235,088	\$3,749,585	\$250,000	\$7,000,000	\$20,234,673
Incep. to Date	\$20,167,024	\$8,854,057	\$1,500,000	\$7,000,000	\$37,521,081	\$20,167,024	\$8,854,057	\$1,500,000	\$7,000,000	\$37,521,081

* Projected

(1) Amounts that recorded on the Company's plant books when placed in service and used to derive the Monthly Revenue Requirement

MINIMUM FILING REQUIREMENTS

1. The Company's income statement for the most recent 12 month period, as filed with the New Jersey Board of Public Utilities ("BPU").
2. The Company's balance sheet for the most recent 12 month period, as filed with the BPU.
3. The Company's overall capital budget broken down by major categories, including distribution and incremental capital expenditures for the UIE Projects, both budgeted and actual amounts.
4. For each UIE Project or proposed new project;
 - a. The original project summary for each UIE Project;
 - b. Capital expenditures incurred to date;
5. Anticipated project timeline with updates and expected changes.
6. A spending schedule detailing the UIE and Non-UIE Projects to date as compared to the Company's original approved capital spending plans.
7. A summary of expenditures for each of the UIE Projects that identify each expenditure from project inception through the end of the current quarter.
8. A calculation of the proposed rate adjustment based on details related to UIE Projects included in Plant in Service.
 - a. A calculation of the associated depreciation expense, based on those projects closed to Plant in Service during the period.
9. A list of FTE equivalent jobs created and their duration associated with each UIE Project.
10. A list of any and all funds or credits received from the United States government, the State of New Jersey, a county or a municipality, for work related to any of the UIE Projects, such as relocation, reimbursement or stimulus money.
 - a. An explanation of the financial treatment associated with the receipt of the government funds or credits.
11. A revenue requirement calculation showing the actual capital expenditures for the period ending August 31, 2011 and October 31, 2012, as well as supporting calculations.
12. Actual revenues, by month, collected from ratepayers pursuant to the tariff(s).

