



Agenda Date: 9/21/11
Agenda Item: 2G

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 COMPANY FOR APPROVAL TO REVISE ITS)
BASE RATES TO RECOVER THE COSTS OF ITS)
UTILITY INFRASTRUCTURE ENHANCEMENT)
PROGRAM ("UIE") AND RELATED TARIFF)
REVISIONS) DOCKET NO.GR11060360

Kenneth T. Maloney, Esq. and Deborah M. Franco, Esq. (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
Stefanie A. Brand, Esq., Director New Jersey Division of Rate Counsel

BY THE BOARD:

BACKGROUND

In an effort to maintain the reliability and safety of its delivery system, while providing stimulus to New Jersey's economy, on January 20, 2009, Elizabethtown Gas ("Elizabethtown" or "Company") petitioned the New Jersey Board of Public Utilities ("BPU" or "Board"), in Docket No. GO09010053, for approval to accelerate the timing of certain infrastructure projects ("2009 Filing").

Elizabethtown proposed to accelerate investments in various gas distribution infrastructure-related projects that are outside the scope of Elizabethtown's normal capital budget through the Utility Infrastructure Enhancement ("UIE") Program.

More specifically, according to the Company, these UIE projects were incremental to its planned fiscal 2009, 2010 and 2011 capital investment programs. Additionally, expediting the work on these projects would assist in mitigating the negative impact of the recession by creating additional job opportunities in the State while enhancing service and reliability for Elizabethtown's existing customers. In the 2009 Filing, Elizabethtown also requested approval of a proposed method for recovering the investment costs associated with the UIE projects.

On April 28, 2009, the BPU issued an Order (the "April 28 Order") in Docket Nos. EO09010049 and GO09010053 *et al.* which approved a stipulation permitting Elizabethtown to proceed with the design and construction of four UIE projects ("UIE I Projects") through the implementation of gas Capital Adjustment Mechanisms and an associated UIE Rider rate of \$0.0037 per therm (including Sales and Use Tax or "SUT").

In accordance with the Stipulation in Docket No. GR09110907, and as approved by a Board Order dated December 17, 2009 in the Company's base rate case (Docket No. GR09030195) ("Base Rate Case"), certain Qualifying Projects were rolled into the Company's rate base. Additionally, in the Base Rate Case, the Parties agreed that Elizabethtown would be permitted to continue to incorporate the costs of Qualifying Projects into the Company's base distribution charge rates. These Qualifying Projects remained in the UIE, subject to a prudence review of costs associated with these projects in the forthcoming Phase II portion of the Base Rate Case.

On November 12, 2010, the Company made its first annual UIE True-Up filing ("2010 True-Up") in Docket No. GR10110836 seeking an increase in its UIE rate from \$0.0116 per therm to \$0.01836 per therm (including SUT), effective January 1, 2010. 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.

By Order issued May 16, 2011 in BPU Docket Nos. GO10120969 and GR09030195 ("May 16 Order"), the Board authorized Elizabethtown to complete the UIE I projects as part of the Company's UIE II Program 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 over the period May 2011 through October 31, 2012 ("UIE II Projects").

Furthermore, the May 16 Order approved a stipulation dated May 5, 2011 in which the Parties agreed that Elizabethtown would submit a petition to the Board in June 2011 requesting authority to roll into and recover through base rates the costs associated with certain UIE Projects through an adjustment to Elizabethtown's base rates. In accordance with the May 16 Order, Phase II of the 2009 Base Rate Case remains open for this purpose.

THE CURRENT FILING ("UIE")

On June 15, 2011, in compliance with the May 16 Order, the Company filed this petition requesting authority to roll into and recover through base distribution rates the costs associated with the Company's Utility Infrastructure Enhancement I and II Projects and proposed to increase the base revenue requirement by \$8,158,992 or 5.9% from \$137,879,719 to \$146,038,711. Under the Company's proposal, the UIE Revenue Adjustment will be applied through a uniform percentage increase in base distribution rate revenues of 6.3% to the Residential Delivery Service ("RDS"), Small General Service ("SGS"), General Delivery Service ("GDS"), Large Volume Demand ("LVD"), Electric Generation Firm Service ("EGF"), Gas Light Service ("GLS") and Firm Transportation Service ("FTS") classes, as well as certain firm Board-approved special contract customers served under the terms of the Company's firm rate classes.

Typical residential heating customers using 100 therms per month during the winter months and 660 therms on an annual basis would see an increase of \$2.63 in their monthly bill, from \$124.93 to \$127.56 or approximately 2.1%.

After publication of notices in newspapers of general circulation throughout the Company's service territory, two public hearings were held in Flemington and Rahway on August 22 and 23, 2011 respectively. No members of the public appeared to comment on the filing.

Stipulation for Provisional UIE Rates ("STIPULATION")¹

Following a review by, and subsequent discussions among representatives of the Company, Board Staff, and Rate Counsel, the only parties to the proceeding at this time (collectively, the "Parties"), determined that additional time is needed to complete a comprehensive review of Elizabethtown's proposed UIE Revenue Adjustment. However, they also agreed that approval of the proposed increase on a provisional basis, subject to refund with interest, is reasonable at this time. Therefore the Parties executed a Stipulation that provided for the following:

A. The Company will implement the UIE Revenue Adjustment on a provisional basis by increasing base distribution rate revenues by \$8,158,992 or 5.9% from \$137,879,719 to \$146,038,711 effective October 1, 2011 subject to reconciliation and refund with interest. Any refund amount will be equal to the difference between the interim rates resulting from the provisional UIE Revenue Adjustment and the final rates resulting from the final VIE Revenue Adjustment approved by the Board in this proceeding, multiplied by the volumes billed to affected customers between October 1, 2011 and the date of the implementation of the final rates approved in this proceeding. Such amount will be applied to the Company's existing UIE Rider over or under recovery balance which shall remain in place until a near zero or credit balance is achieved.

B. Elizabethtown will implement the UIE Revenue Adjustment through a uniform percentage increase in base distribution rate revenues of 6.3% to the RDS, SGS, GDS, LVD, EGF, GLS and FTS classes, as well as certain firm Board-approved special contract customers served under the terms of the Company's firm rate classes.

C. The Parties shall have an opportunity for full review of the provisional UIE Revenue Adjustment as a contested case, if necessary, and that revenue adjustment shall be subject to final approval by the Board.

D. The provisional UIE Revenue Adjustment shall be effective as of October 1, 2011, or as soon as possible upon the issuance and service of a Board Order approving this Provisional Stipulation, whichever date is later, but not prior to the conclusion of the public hearings concerning the June 15 Petition. A Board Order approving this Provisional Stipulation will become effective upon the service of such Board Order, or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.

E. The provisional UIE Revenue Adjustment will increase the monthly bill of a typical residential customer using 100 therms by \$2.63, from \$124.93 to \$127.56, an increase of 2.1 %.

F. The Parties agree that this Provisional Stipulation contains mutually balanced and interdependent provisions and is intended to be accepted and approved in its entirety. In the event that any particular aspect of this Provisional Stipulation is not accepted and approved by

¹ Although summarized in this Order, the detailed terms of the stipulation control, subject to the findings and conclusions in this Order.

the Board, this Provisional Stipulation shall be null and void, and the parties shall be placed in the same position that they were in immediately prior to execution.

G. This Provisional Stipulation has been made exclusively for the purposes of this proceeding and this Provisional Stipulation, in total or specific item, is in no way binding upon the Parties in any other proceeding, except to enforce the terms of this Provisional Stipulation.

Any net over-recovered CIRT balance at the end of the CIRT period shall be subject to refund with interest.

DISCUSSION AND FINDING

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.

The Board is persuaded that the UIE, 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 Stipulation and exhibits, the Board HEREBY FINDS that, subject to the terms and conditions set forth below, the attached Stipulation is reasonable, in the public interest, and in accordance with the law. Accordingly, the Board HEREBY ADOPTS the Stipulation as its own, as if fully set forth herein.

The Board HEREBY ORDERS that the Company's Utility Infrastructure Enhancement Revenue Adjustment shall be provisionally increased by \$8,158,992 or 5.9% from \$137,879,719 to \$146,038,711 (including SUT) effective for service rendered on and after October 1, 2011. Any

net over-recovered UIE balance at the end of the UIE period shall be subject to refund with interest.

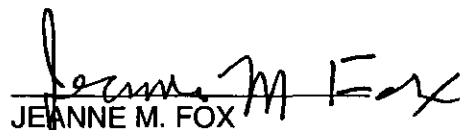
The Company is HEREBY DIRECTED to file the appropriate tariff sheets conforming to the terms and conditions of this Order within five (5) business days from the date of this Order.

The Company's UIE Revenue Adjustment costs are subject to audit.

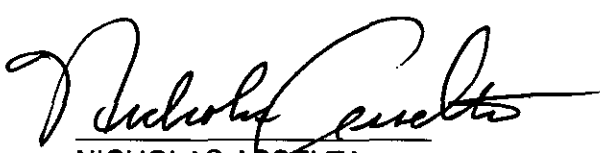
DATED: 9/22/11

BOARD OF PUBLIC UTILITIES
BY:


LEE A. SOLOMON
PRESIDENT


JEANNE M. FOX
COMMISSIONER

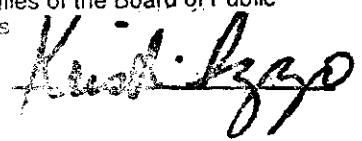

JOSEPH L. FIORDALISO
COMMISSIONER


NICHOLAS ASSELTA
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 Company
for Approval to Revise its Base Rates to Recover the Costs of its Utility Infrastructure Program
UIE and Related Tariff Revisions
Docket No. GR11060330

SERVICE LIST

Mary Patricia Keefe
Elizabethtown Gas
300 Connell Drive, Suite 3000
Berkeley Heights, NJ 07922

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

Jerome May, Director
Division of Energy
NJ Board of Public Utilities
44 S. Clinton Avenue
9th Floor – P.O. Box 350
Trenton, NJ 08625-0350

Scott Sumliner, Acct. 1
Division of Energy
NJ Board of Public Utilities
44 S. Clinton Avenue
9th Floor – P.O. Box 350
Trenton, NJ 08625-0350

Sheila DeLucia, Chief
Division of Energy
NJ Board of Public Utilities
44 S. Clinton Avenue
9th Floor P.O. Box 350
Trenton, NJ 08625-0350

Alex Moreau, Esq.
Marisa Slaten, Esq.
Department of Law & Public Safety
124 Halsey Street
P.O. Box 45029
Newark, NJ 07101

Henry Rich, Admin. Analyst 1
Division of Energy
NJ Board of Public Utilities
44 S. Clinton Avenue
9th Floor – P.O. Box 350
Trenton, NJ 08625-0350

Kenneth T. Maloney, Esq.
Cullen and Dykman
1101 14th Street, NW, Suite 550
Washington, DC 20005

Andrea Sarmentero-Garzon, Esq
Legal Specialist
NJ Board of Public Utilities
44 S. Clinton Avenue
9th Floor – P.O. Box 350
Trenton, NJ 08625-0350

Deborah Franco, Esq.
Cullen and Dykman
Garden City Center
100 Quentin Roosevelt Blvd.
Garden City, N.Y. 11530



CULLENandDYKMANLLP

NAME: DEBORAH M. FRANCO
Title: Partner
dfranco@cullenanddykman.com

Garden City Center
100 Quentin Roosevelt Blvd.
Garden City, NY 11530
Telephone: 516-357-3878 • Fax: 516-357-3792

September 2, 2011

Honorable Kristi Izzo, Secretary
State of New Jersey
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office 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 To Revise Its Base Rates To Recover The
Costs of its Utility Infrastructure Enhancement Program and Related Tariff
Revisions, BPU Docket No. GR11060360**

Dear Secretary Izzo:

Enclosed for filing in the above proceeding are an original and ten copies of a Stipulation For Provisional Rates executed by representatives of Pivotal Utility Holdings Inc. d/b/a Elizabethtown Gas ("Elizabethtown"), the Staff of the Board of Public Utilities and the Division of Rate Counsel. Elizabethtown respectfully requests that the Board consider and adopt the Stipulation as expeditiously as possible.

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

Yours truly,


Deborah M. Franco

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

cc: Attached Service List

FOUNDED 1850

BROOKLYN

LONG ISLAND

MANHATTAN

WASHINGTON, D.C.

NEW JERSEY

**IN THE MATTER OF THE PETITION OF
PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS
FOR APPROVAL TO REVISE ITS BASE RATES TO RECOVER THE
COSTS OF ITS UTILITY INFRASTRUCTURE ENHANCEMENT PROGRAM
AND RELATED TARIFF REVISIONS**

BPU DOCKET NO. GR11060360

SERVICE LIST

**Donald Carter
Elizabethtown Gas
300 Connell Drive, Suite 3000
Berkeley Heights, NJ 07922**

**Diane Rojek
Elizabethtown Gas
300 Connell Drive, Suite 3000
Berkeley Heights, NJ 07922**

**Jodi Gidley
AGL Resources
544 S. Independence Blvd.
Virginia Beach, VA 23452**

**Nanik Aswani
Board of Public Utilities
44 South Clinton Avenue
9th Floor
P.O. Box 350
Trenton, NJ 08625-0350**

**Joseph Costa
Board of Public Utilities
44 South Clinton Avenue
9th Floor
P.O. Box 350
Trenton, NJ 08625-0350**

**Christino Lin
Board of Public Utilities
44 South Clinton Avenue
9th Floor
P.O. Box 350
Trenton, NJ 08625-0350**

**Henry Rich
Board of Public Utilities
44 South Clinton Avenue
9th Floor
P.O. Box 350
Trenton, NJ 08625-0350**

**Thomas Kaufmann
Elizabethtown Gas
300 Connell Drive, Suite 3000
Berkeley Heights, NJ 07922**

**Michael Scacifero
Elizabethtown Gas
520 Green Lane
Union, NJ 07083**

**Michael Morley
AGL Resources
Ten Peachtree Place
Atlanta, GA 30309**

**Mark Beyer
Board of Public Utilities
44 South Clinton Avenue
9th Floor
P.O. Box 350
Trenton, NJ 08625-0350**

**Sheila DeLucia
Board of Public Utilities
44 South Clinton Avenue
9th Floor
P.O. Box 350
Trenton, NJ 08625-0350**

**Jerome May
Board of Public Utilities
44 South Clinton Avenue
9th Floor
P.O. Box 350
Trenton, NJ 08625-0350**

**Rosalie Romeo
Board of Public Utilities
44 South Clinton Avenue
9th Floor
P.O. Box 350
Trenton, NJ 08625-0350**

**Mary Patricia Keefe, Esq.
Elizabethtown Gas
300 Connell Drive, Suite 3000
Berkeley Heights, NJ 07922**

**Scott Carter
AGL Resources
Ten Peachtree Place
Atlanta, GA 30309**

**Elizabeth Wade, Esq.
AGL Resources
Ten Peachtree Place
Atlanta, GA 30309**

**Rachel Boylan
Board of Public Utilities
44 South Clinton Avenue
9th Floor
P.O. Box 350
Trenton, NJ 08625-0350**

**Kristi Izzo, Secretary
Board of Public Utilities
44 South Clinton Avenue
9th Floor
P.O. Box 350
Trenton, NJ 08625-0350**

**Jackie O'Grady
Board of Public Utilities
44 South Clinton Avenue
9th Floor
P.O. Box 350
Trenton, NJ 08625-0350**

**Michael Stonack
Board of Public Utilities
44 South Clinton Avenue
9th Floor
P.O. Box 350
Trenton, NJ 08625-0350**

**IN THE MATTER OF THE PETITION OF
PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS
FOR APPROVAL TO REVISE ITS BASE RATES TO RECOVER THE
COSTS OF ITS UTILITY INFRASTRUCTURE ENHANCEMENT PROGRAM
AND RELATED TARIFF REVISIONS**

BPU DOCKET NO. GR11060360

SERVICE LIST

**Beverly Tyndell
Board of Public Utilities
44 South Clinton Avenue
9th Floor
P.O. Box 350
Trenton, NJ 08625-0350**

**Dennis Moran
Board of Public Utilities
44 South Clinton Avenue
9th Floor
P.O. Box 350
Trenton, NJ 08625-0350**

**Robert Wojciak
Board of Public Utilities
44 South Clinton Avenue
9th Floor
P.O. Box 350
Trenton, NJ 08625-0350**

**Richard Jackson
Board of Public Utilities
44 South Clinton Avenue
9th Floor, P.O. Box 350
Trenton, NJ 08625**

**Maria Novas-Ruiz, Esq.
Division of Rate Counsel
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07101**

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

**Sarah H. Steindel, Esq.
Division of Rate Counsel
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07101**

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

**Paul E. Flanagan, Litigation Manager
Division of Rate Counsel
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07101**

**Babette Tenzer
Department of Law & Public Safety
Division of Law
124 Halsey Street, 5th Floor
P.O. Box 45029
Newark, NJ 07101**

**Caroline Vachier
Department of Law & Public Safety
Division of Law
124 Halsey Street, 5th Floor
P.O. Box 45029
Newark, NJ 07101**

**Jenique Jones
Department of Law & Public Safety
Division of Law
124 Halsey Street, 5th Floor
P.O. Box 45029
Newark, NJ 07101**

**Alex Moreau, DAG
Department of Law & Public Safety
Division of Law
124 Halsey Street, 5th Floor
P.O. Box 45029
Newark, NJ 07101**

**Marisa Slaten, DAG
Department of Law & Public Safety
Division of Law
124 Halsey Street, 5th Floor
P.O. Box 45029
Newark, NJ 07101**

**Michael J. McFadden, President
McFadden Consulting Group, Inc.
636 South Monroe Way
Denver, CO 80209-3521**

**David E. Peterson
Chesapeake Regulatory Consultants
Inc.
10351 Southern Maryland Boulevard
Suite 202
Dunkirk, MD 20754-9500**

**Kenneth T. Maloney, Esq.
Cullen and Dykman
1101 14th Street, NW, Suite 550
Washington, DC 20005**

**Deborah Franco, Esq.
Cullen and Dykman
Garden City Center
100 Quentin Roosevelt Blvd.
Garden City, NY 11530**

**Steven S. Goldenberg
Fox Rothschild LLP
Princeton Pike Corporate Center
997 Lenox Drive, Building 3
Lawrenceville, NJ 08648-2311**

**Robert J. Henkes
Henkes Consulting
7 Sunset Road
Old Greenwich, CT 06870**

**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 To Revise Its Base Rates to Recover The Costs of Its Utility Infrastructure Enhancement Program and Related Tariff Revisions)))))))	STIPULATION FOR PROVISIONAL RATES DOCKET NO. GR11060360
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APPEARANCES:

Kenneth T. Maloney and Deborah M. Franco (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

Paul Flanagan, Litigation Manager, Division of Rate Counsel, **Felicia Thomas-Friel**, Managing Attorney – Gas, Division of Rate Counsel, **Sarah H. Steindel, Esq. and Maria Novas-Ruiz, Esq.**, Assistant Deputy Rate Counsels, Division of Rate Counsel (Stefanie A. Brand, Director, Division of Rate Counsel)

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

BACKGROUND

1. On June 15, 2011 Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas (“Elizabethtown” or “Company”) filed a Petition (“June 15 Petition”) with the New Jersey Board of Public Utilities (“Board” or “BPU”) in Docket No. GR11060360 requesting authority to roll into and recover through base distribution rates the costs associated with the Company’s Utility Infrastructure Enhancement I and II Projects. The June 15 Petition was made in compliance with the Board’s May 16, 2011 Order (“May 16 Order”) in Docket Nos. GO10120969 and GR090030195 approving a May 5, 2011 Stipulation among Elizabethtown, Board Staff and the Division of Rate Counsel (“Rate Counsel”).

2. The June 15 Petition proposed to recover the costs of the UIE I and II Projects by increasing Elizabethtown’s base distribution revenues by \$8,158,992 or 5.9% from \$137,879,719 to \$146,038,711 effective October 1, 2011 (“UIE Revenue Adjustment”). The June 15 Petition

proposed to implement the UIE Revenue Adjustment through a uniform percentage increase in base distribution rate revenues of 6.3% to the RDS, SGS, GDS, LVD, EGF, GLS and FTS classes, as well as certain firm Board-approved special contract customers served under the terms of the Company's firm rate classes.

3. Elizabethtown's UIE I and II Projects consists of certain accelerated investments in various gas distribution infrastructure-related projects that are outside the scope of Elizabethtown's normal capital budget. The UIE I and II 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. Pursuant to the April 28, 2009 BPU Order in Docket Nos. EO09010049 and GO09010053 *et al.*, as supplemented by the May 16 Order, Elizabethtown was authorized to complete the UIE I and II Projects at a projected cost of approximately \$68.3 million and \$40.1 million, respectively.

4. Elizabethtown's existing base rates were last changed pursuant to the Board's December 17 Order in Docket No. GRO9030195 ("December 17 Order"). The December 17 Order 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 to consider certain remaining issues, including the modification of Petitioner's base distribution charge rates as needed to incorporate the costs associated with the Company's UIE Projects after Board approval. In accordance with the May 16 Order, the Phase II of the 2009 Base Rate Case remains opens for this purpose.

5. Public hearings were held on August 22, 2011 in Flemington, New Jersey and on August 23, 2011 in Rahway, New Jersey. No members of the public appeared.

6. The Company, Board Staff and Rate Counsel (collectively, the "Parties") have determined that because additional time is needed to complete the review of the Company's June 15 Petition, the Parties have agreed to the implementation of the UIE Revenue Adjustment on provisional basis, subject to refund with interest as set forth below in order to facilitate full and timely recovery in a manner consistent with the May 16 Order which provided for a UIE Revenue Adjustment effective date of October 1, 2011.

STIPULATED MATTERS

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

A. The Company will implement the UIE Revenue Adjustment on a provisional basis by increasing base distribution rate revenues by \$8,158,992 or 5.9% from \$137,879,719 to \$146,038,711 effective October 1, 2011 subject to reconciliation and refund with interest. Any refund amount will be equal to the difference between the interim rates resulting from the provisional UIE Revenue Adjustment and the final rates resulting from the final UIE Revenue Adjustment approved by the Board in this proceeding, multiplied by the volumes billed to affected customers between October 1, 2011 and the date of the implementation of the final rates approved in this proceeding. Such amount will be applied to the Company's existing UIE Rider over or under recovery balance which shall remain in place until a near zero or credit balance is achieved.

B. Elizabethtown will implement the UIE Revenue Adjustment through a uniform percentage increase in base distribution rate revenues of 6.3% to the RDS, SGS, GDS, LVD, EGF, GLS and FTS classes, as well as certain firm Board-approved special contract customers served under the terms of the Company's firm rate classes. Attached as Appendix A are proposed updated tariff sheets reflecting the provisional base distribution rates that will be applicable to the affected service classes as a result of the implementation of the UIE Revenue Adjustment.

C. The Parties shall have an opportunity for full review of the provisional UIE Revenue Adjustment as a contested case, if necessary, and that revenue adjustment shall be subject to final approval by the Board.

D. The provisional UIE Revenue Adjustment shall be effective as of October 1, 2011, or as soon as possible upon the issuance and service of a Board order approving this Provisional Stipulation, whichever date is later, but not prior to the conclusion of the public hearings concerning the June 15 Petition. A Board Order approving this Provisional Stipulation will become effective upon the service of such Board Order, or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.

E. The provisional UIE Revenue Adjustment will increase the monthly bill of a typical residential customer using 100 therms by \$2.63, from \$124.93 to \$127.56, an increase of 2.1%.

F. The Parties agree that this Provisional Stipulation contains mutually balanced and interdependent provisions and is intended to be accepted and approved in its entirety. In the

event that any particular aspect of this Provisional Stipulation is not accepted and approved by the Board, this Provisional Stipulation shall be null and void, and the parties shall be placed in the same position that they were in immediately prior to execution.

G. This Provisional Stipulation has been made exclusively for the purposes of this proceeding and this Provisional Stipulation, in total or specific item, is in no way binding upon the Parties in any other proceeding, except to enforce the terms of this Provisional Stipulation.

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

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

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

By: 
Felicia Thomas-Friel
Managing Attorney

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

By: 
Alex Moradu, DAG

Dated: September 2, 2011

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ELIZABETHTOWN GAS
B. P. U. NO. 14 – GAS
CANCELLING
B. P. U. NO. 13 – GAS

REVISED SHEET NO. 36

SERVICE CLASSIFICATION - RESIDENTIAL DELIVERY SERVICE (RDS)

APPLICABLE TO USE OF SERVICE FOR:

All residential purposes in individual residences and in individual flats, individual apartments in multiple family buildings, only where each individual flat or individual apartment is served through its own separate meter and religious institutions where the total rated input capacity of all gas utilization equipment does not exceed 500,000 BTU per hour. The rate is not available for hotels, nor for recognized rooming or boarding houses where the number of rented bedrooms is more than twice the number of bedrooms used by Customer. This rate is not applicable for industrial or commercial use of gas. In residential premises, use for purposes other than residential will be permitted only where such use is incidental to Customer's own residential use. Service for heating and/or cooling of premises will be rendered at this rate. Service to detached outbuildings or outside appliances appurtenant to the residence will be included in this rate provided Customer installs the necessary piping so that the gas used in such facilities may be measured by the meter located at the residence.

Service will be provided if Gas Company's facilities are suitable.

CHARACTER OF SERVICE:

Continuous, however, customers may either purchase gas supply from a Third Party Supplier ("TPS") or the Company's Rider "A", Basic Gas Supply Service ("BGSS")

*CHARGES PER MONTH:

	<u>Gas Supply from BGSS</u>	<u>Gas Supply from TPS</u>
Service Charge	\$8.00	\$8.00
Distribution Charge per Therm	\$0.3337	\$0.3337
Commodity Charge	Per Rider "A"	Per TPS Agreement

* The charges set forth in this Service Classification include sales and use tax and assessments and will be adjusted for all other applicable Riders of this Tariff and any additional taxes, assessments or similar charges that are lawfully imposed by the Company. A customer that receives gas supply from a TPS will be charged for commodity according to any agreement between the customer and the TPS.

Date of Issue:

Effective: Service Rendered
on and after

Issued by: Jodi Gidley
Sr. Vice President, Mid-Atlantic Operations
300 Connell Drive, Suite 3000
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REVISED SHEET NO. 37

SERVICE CLASSIFICATION - RESIDENTIAL DELIVERY SERVICE (RDS)
(continued)

MINIMUM MONTHLY CHARGE:

Service Charge.

TERM OF PAYMENT:

All bills are due upon presentation.

TERM OF CONTRACT:

One year, and thereafter until terminated by five (5) days written notice.

STANDARD TERMS AND CONDITIONS:

This Service Classification is subject to the Standard Terms and Conditions of this Tariff.

SPECIAL PROVISIONS I & II:

I. SPECIAL PROVISIONS, APPLICABLE TO ALL CUSTOMERS RECEIVING SERVICE UNDER THIS SERVICE CLASSIFICATION

1. Gas Air Conditioning and Distributive Generation

Upon separate application, Customers who have installed and are using gas air conditioning equipment, having a rated capacity of not less than 2 tons of refrigeration, and or who have installed a separate meter for distributed generation equipment shall be billed a Distribution Charge of \$0.2160 per therm in the period extending from Customer's meter reading taken in the ordinary course of business in May through October.

Where, in Gas Company's opinion, it is impractical to provide separate metering for distributed generation equipment, Gas Company may estimate the use of gas for Distributive Generation during the foregoing period of May to October. During all other periods, the Distribution Charge per therm stated in this service classification shall apply.

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REVISED SHEET NO. 40

SERVICE CLASSIFICATION - SMALL GENERAL SERVICE (SGS)

APPLICABLE TO USE OF SERVICE FOR:

Small General Service is available to those customers whose annual weather normalized usage as determined by the Company is less than 3,000 therms per year and where Gas Company's facilities are suitable and the quantity of gas is available for the service desired. In August of each year the Company shall re-determine each customer's eligibility based on their annual normalized usage.

CHARACTER OF SERVICE:

Continuous.

*CHARGES PER MONTH:

Service Charge	\$16.15
Distribution Charge per Therm	\$0.3445
Commodity Charge	Per Rider "A"

* The charges set forth in this Service Classification include sales and use tax and assessments and will be adjusted for all other applicable Riders of this Tariff and any additional taxes, assessments or similar charges that are lawfully imposed by the Company.

MINIMUM MONTHLY CHARGE:

The Service Charge.

TERM OF PAYMENT:

All bills are due upon presentation. Should the Customer fail to make payment in full, the Company may, within the time period specified in and in accordance with Section 7.10 of the Standard Terms and Conditions of this Tariff, assess late payment charges.

TERM OF CONTRACT:

One year, and thereafter until terminated by five (5) days written notice.

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SERVICE CLASSIFICATION - SMALL GENERAL SERVICE (SGS)
(continued)

STANDARD TERMS AND CONDITIONS:

This Service Classification is subject to the Standard Terms and Conditions of this Tariff.

I. SPECIAL PROVISIONS, APPLICABLE TO ALL CUSTOMERS RECEIVING SERVICE UNDER THIS SERVICE CLASSIFICATION

1. Gas Cooling & Refrigeration and Distributed Generation Under 12kW

Upon separate application, Customers who have installed a separate meter for gas cooling equipment having a rated capacity of not less than two (2) tons but less than ten (10) tons of refrigeration and or distributed generation equipment having a rated capacity under twelve (12) kW will be separately metered for such service and will be billed at the above rates, except that the applicable Distribution Charges will be billed at a rate of \$0.1593 per therm in the period extending from Customer's meter reading taken in the ordinary course of business in May through October. Where, in the Gas Company's opinion, it is impractical to provide separate metering, Gas Company may estimate the use of gas for other than distributed generation and water heating during the foregoing period of May to October. During all other periods, the Distribution Charge per therm stated in this service classification shall apply.

2. Economic Development Service (EDS)

Any new customer employing a minimum of ten (10) employees, who locates in or expands a new or vacant building within the Company's service territory and enters into a GDS service agreement and (2) any existing customer who expands into a new or vacant building within the Company's service territory and is a party to a GDS service agreement shall be eligible for an EDS discount. For new customers, this building must be new or have been vacant for a minimum of three (3) months. For existing customers, the space utilized for operations must expand by more than 5,000 square feet. Gas used subject to the EDS discount for existing customers will be calculated by the Company and will be based solely on the customer's incremental usage. This service is offered to any eligible customer for a period of five (5) years from the date of the Initial Service Agreement under this service. The EDS Customers shall receive a fifty (50) percent pre tax discount in this Service Class's Distribution Charge during the period of eligibility.

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REVISED SHEET NO. 42

SERVICE CLASSIFICATION - GENERAL DELIVERY SERVICE (GDS)

APPLICABLE TO USE OF SERVICE FOR:

General Delivery Service where Gas Company's facilities are suitable and the quantity of gas is available for the service desired.

CHARACTER OF SERVICE:

Continuous, however, customers may either purchase gas supply from a Third Party Supplier ("TPS") or the Company's Rider "A", Basic Gas Supply Service ("BGSS").

*CHARGES PER MONTH:

	<u>Gas Supply from BGSS</u>	<u>Gas Supply from TPS</u>
Service Charge	\$20.00	\$20.00
Demand Charge per DCQ	\$0.811	\$0.811
Distribution Charge per Therm	\$0.2126	\$0.2126
Commodity Charge	Per Rider "A"	Per TPS Agreement

* The charges set forth in this Service Classification include sales and use tax and assessments and will be adjusted for all other applicable Riders of this Tariff and any additional taxes, assessments or similar charges that are lawfully imposed by the Company. A customer that receives gas supply from a TPS will be charged for commodity according to any agreement between the customer and the TPS.

DETERMINATION OF THE DEMAND CHARGE QUANTITY (DCQ)

The DCQ will be determined by the Customer's maximum daily requirements in terms of therm units per day. The DCQ level shall be the highest actual daily metered consumption registered from an approved automatic meter reading device at Customer's premises within a period of not less than two years, but up to three years immediately preceding the Customer obtaining service or renewing a Service Agreement under this Service Classification if such information is available. Otherwise DCQ shall be set equal to the product of (1) the highest winter monthly consumption for the most recent winter (October through April), normalized for weather, divided by the applicable number of days in the respective billing month, and (2) 1.36, provided that DCQ shall not be less than the highest non-winter month consumption divided by the applicable number of days in the respective billing month. For process loads, the Company may base the DCQ on historical consumption. If historical consumption information is not available,

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SERVICE CLASSIFICATION - GENERAL DELIVERY SERVICE (GDS)
(continued)

SPECIAL PROVISIONS SECTIONS I & II:

I. SPECIAL PROVISIONS, APPLICABLE TO ALL CUSTOMERS RECEIVING SERVICE UNDER THIS SERVICE CLASSIFICATION

1. Distributive Generation Under 12 kW and Gas Cooling & Refrigeration, 2 tons to under 10 Tons

Upon separate application, Customers who have installed a separate meter for distributed generation equipment having a rated capacity under twelve (12) kW and/or gas cooling equipment having a rated capacity of not less than two (2) tons but less than ten (10) tons of refrigeration will be separately metered for such service and will be billed at the above rates, except that the applicable Distribution Charges will be billed at a rate of \$0.1298 per therm in the period extending from Customer's meter reading taken in the ordinary course of business in May through October. Where, in the Gas Company's opinion, it is impractical to provide separate metering, Gas Company may estimate the use of gas for other than distributed generation and water heating during the foregoing period of May to October. During all other periods, the Distribution Charge per therm stated in this service classification shall apply.

2. Distributed Generation of 12 kW or More and Gas Cooling & Refrigeration of 10 Tons or More

Under separate application Customers who are using gas for distributive generation with a rated capacity of twelve (12) kW or more, and/or gas cooling equipment with a rated capacity of ten (10) tons or more, and where gas consumed is separately metered, will be billed at the above rates, except that the applicable Distribution Charges will be billed at a rate of \$0.0608 per therm commencing with the first meter reading taken in the ordinary course of business in May and concluding with the meter reading taken in the ordinary course of business in October. During all other periods, the Distribution and Commodity Charge per therm stated in this service classification shall apply.

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REVISED SHEET NO. 50

SERVICE CLASSIFICATION - LARGE VOLUME DEMAND (LVD)

The signing of a service agreement is a condition precedent to receiving service under this classification. The Service Agreement will include the Customer's Demand Charge Quantity (DCQ).

APPLICABLE TO USE OF SERVICE FOR:

Applicable to Commercial and Industrial Users, when daily demand is not less than 2,000 therms per day up to the maximum daily demands as set forth in the Service Agreement, provided that all firm gas service is supplied under this rate, Gas Company's facilities are suitable, and the required quantity of gas is available for the service desired. The consumption of gas in different locations will not be combined for billing purposes.

CHARACTER OF SERVICE:

Continuous.

*CHARGE PER MONTH:

Service Charge	\$481.86
Demand Charge per DCQ	\$1.036
Distribution Charge per Therm	\$0.0459
Commodity Charge	Per Rider "A"

*The charges set forth in this Service Classification include sales and use tax and assessments and will be adjusted for all other applicable Riders of this Tariff and any additional taxes, assessments or similar charges that are lawfully imposed by the Company.

DETERMINATION OF THE DEMAND CHARGE QUANTITY ("DCQ"):

The DCQ will be determined by the Customer's maximum daily requirements in terms of therms per day and included in the Service Agreement.

The DCQ level shall be the highest actual daily metered consumption registered from an approved automatic meter reading device at Customer's premises within a period of not less than two years, but up to three years immediately preceding the Customer obtaining service or renewing a Service Agreement under this Service Classification if such information is available. Otherwise DCQ shall be set equal to the product of (1) the highest winter monthly consumption for the most recent winter (October through April), normalized for weather, divided by the applicable

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REVISED SHEET NO. 53

SERVICE CLASSIFICATION – ELECTRIC GENERATION FIRM SERVICE (EGF)

All customers must sign a Service Agreement. Service will be restricted to the maximum annual and hourly requirements, and the location and equipment specified in the Agreement.

APPLICABLE TO USE OF SERVICE FOR:

Available to customers who utilize natural gas for Qualifying Cogeneration, as defined below, Distributive Generation, Micro Turbine and Fuel Cells at facilities with a rated production of over 500 Kilowatts (kW). Customers have the option of taking service under this Service Classification or negotiating a sales and/or transportation service contract which will be filed with the New Jersey Board of Public Utilities.

A Qualifying Cogeneration Facility is one that meets the Federal Energy Regulatory Commission (FERC) certification of qualifying status for the sequential production of electrical and/or mechanical energy and useful thermal energy from the same fuel source by a facility as defined in Section 201 of the Regulatory Policies Act of 1978.

CHARACTER OF SERVICE:

Continuous

***CHARGE PER MONTH:**

	<u>Tax-Exempt ⁽¹⁾</u>	<u>Taxable ⁽²⁾</u>
Service Charge	\$52.37	\$56.04
Demand Charge per DCQ	\$0.741	\$0.793
Distribution Charge per Therm	\$0.0147	\$0.0157
Commodity Charge	Per Rider "A"	Per Rider "A"

* The charges set forth in this Service Classification include sales and use tax, unless noted tax-exempt, and assessments and will be adjusted for all other applicable Riders of this Tariff and any additional taxes, assessments or similar charges that are lawfully imposed by the Company.

- (1) Tax-Exempt rates apply to cogeneration facilities that are in compliance with the terms of N.J.S.A. 54:30A-50.
- (2) Taxable rates apply to customers, unless specifically exempted by law, entering Service Agreements with the Company after 3/10/97.

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REVISED SHEET NO. 56

SERVICE CLASSIFICATION - GAS LIGHT SERVICE (GLS)

This Service Classification is limited to un-metered Gas Lights whose cost of maintenance and repair shall be the responsibility of Customer.

APPLICABLE TO USE OF SERVICE FOR:

Customers who have the gas supply for their outdoor lighting fixtures connected directly to the gas service pipe without being metered.

CHARACTER OF SERVICE:

Continuous.

CHARGE PER MONTH:

The Distribution Charge for this service shall be at the flat rate of \$6.30 per Mantel Equivalent, inclusive of taxes and assessments, for each .02 therms of hourly input rating of the lighting fixtures. Input ratings shall be those of the manufacturer of the gas lighting fixtures or as determined by actual test or calculation made by Gas Company. The rate set forth above will be adjusted for the Periodic Basic Gas Supply Service Charge (BGSS-P) of this Tariff as well as all other applicable Riders of this Tariff and any additional taxes, assessments or similar charges that are lawfully imposed by the Company. Per Therm charges shall be determined by the Company using the following factors times the applicable rates noted above:

Mantel Equivalents = fixture input rating / .02 therms of hourly input
Un Metered Billing Therms = Mantel Equivalents * .02 * 24 hours * 365 / 12

MINIMUM MONTHLY CHARGE:

Flat rate as shown above.

TERM OF PAYMENT:

All bills are due upon presentation. Should a non-residential GLS Customer fail to make payment in full, the Company may, within the time period specified in and in accordance with Section 7.10 of the Standard Terms and Conditions of this Tariff, assess late payment charges.

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SERVICE CLASSIFICATION – FIRM TRANSPORTATION SERVICE (FTS)

The signing of a Service Agreement and possession by the Customer of a fully executed contract to purchase gas from a third party are conditions precedent to receiving service under this Service Classification.

APPLICABLE TO USE OF SERVICE FOR:

Customers with a Demand Charge Quantity (DCQ) in excess of 2,000 therms per day.

CHARACTER OF SERVICE:

This service will be offered on a Firm basis subject to curtailment provisions as set forth in Section 17 of the Standard Terms and Conditions of this Tariff.

The availability of service to be offered for contract under this Service Classification shall be determined at the sole discretion of the Company and will be offered on a first come first served basis.

***CHARGE PER MONTH:**

	<u>Tax-Exempt</u>	<u>Taxable</u>
Service Charge	\$175.17	\$187.43
Demand Charge per DCQ	\$0.758	\$0.811
Distribution Charge per Therm	\$0.0668	\$0.0715

*The charges set forth above include sales and use tax, unless noted tax exempt, and assessments, and will be adjusted for all other applicable Riders of this Tariff and any additional taxes, assessments or similar charges that are lawfully imposed by the Company.

DETERMINATION OF THE DEMAND CHARGE QUANTITY (DCQ):

The DCQ will be determined by the Customer's maximum daily requirements in terms of therms per day and included in the Service Agreement.

The DCQ level shall be the highest actual daily metered consumption registered from an approved automatic meter reading device at Customer's premises within a period of not less than two years, but up to three years immediately preceding the Customer obtaining service or renewing a Service Agreement under this Service Classification if such information is available. Otherwise Daily Contract Demand shall be set equal to the product of (1) the highest winter monthly consumption for the most recent winter (October through April) divided by the applicable

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REVISED SHEET NO. 105

RIDER "B"
WEATHER NORMALIZATION CLAUSE ("WNC") (continued)

METHOD OF DETERMINING WEATHER NORMALIZATION CHARGE: (continued)

I. Definition of Terms as Used Herein (continued)

6. Degree Day Consumption Factor - the variable component (use per degree day) of the gas sendout for each month of the winter period normalized for weather and adjusted for lost and unaccounted for gas. The monthly factors shall be updated annually in the Company's WNC reconciliation filing annualizing to reflect the change in number of customers that has occurred since the base rate proceeding that established the initial degree day consumption factor in base rate cases. The base number of customers used to establish the initial monthly degree day consumption factor and current monthly degree day consumption factor of therms per degree day are as follows:

<u>Month</u>	<u>Base Number of Customers</u>	<u>Therms per Degree Day</u>
October	270,827	45,255
November	271,439	52,406
December	272,283	57,992
January	273,306	60,057
February	273,936	58,851
March	274,159	56,402
April	273,907	43,295
May	273,032	40,476

7. Margin Revenue Factor - the weighted average of the Distribution Charges as quoted in the individual service classes to which this clause applies net of applicable taxes and assessments and any other revenue charge not retained by the Company that these rates may contain in the future. The weighted average shall be determined by multiplying the full block margin revenue component of the Distribution Charges from each service class to which this clause applies by each class's percentage of total consumption of all the classes to which this clause applies for the winter period and summing this result for all the classes to which this clause applies. The Margin Revenue Factor shall be redetermined each time base rates are adjusted. The current Margin Revenue Factor is \$0.2728 per therm.

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REVISED SHEET NO. 118

RIDER "F"

UTILITY INFRASTRUCTURE ENHANCEMENT ("UIE")

Applicable to all RDS, SGS, GDS, LVD, EGF, GLS and FTS customers receiving service through the Company's distribution system. The UIE shall be collected on a per therm basis and shall remain in effect until changed by order of the NJBPU. By Order Issued May 16, 2011 in BPU Docket Nos. GO10120969 and GR09030195, the Board approved a Stipulation dated May 5, 2011 under which the balance of the UIE would be closed to the BGSS-P when reconciled to a near zero balance.

\$0.0116 per therm

In accordance with P.L. 1997, c. 162, the charges applicable under this Rider include provision for the New Jersey Sales and Use Tax, and when billed to customers exempt from this tax shall be reduced by the amount of such tax included therein.

On October 16, 2008, the State proposed a comprehensive economic stimulus plan to address the economic crisis facing New Jersey. As part of this program the utilities of New Jersey have been encouraged to accelerate prudent and reasonable capital investment projects to support economic development and job growth within their respective service territories. Elizabethtown has identified infrastructure investments described below as projects that will enhance the reliability, safety and system integrity of Elizabethtown's distribution system while promoting energy efficiency and preservation of the environment. The UIE will enable the Company to recover the incremental revenue requirement associated with the accelerated capital investments with the following projects:

- (1) The replacement of 29 miles of elevated pressure ten to twelve-inch cast iron main in Union and Middlesex counties;
- (2) The replacement of 42 miles of low pressure four-inch cast iron main;
- (3) The construction of a pipeline interconnect between Franklin Township and Sparta Township to eliminate a current one-way feed that serves 4,500 customers;
- (4) The construction of a pipeline interconnect between Washington Township and the Town of Newton in order to eliminate the dependency of 7,500 customers on a single source of interstate natural gas pipeline supply.

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