



Chris Christie  
Governor

Kim Guadagno  
Lt. Governor

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
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Kristi Izzo  
Secretary of the Board  
(609) 292-1599

August 13, 2012

To the Attached Service List:

Re: In The Matter of the Petition of Pivotal Utility Holdings, Inc. D/B/A Elizabethtown Gas Company to (1) Revise Its Weather Normalization Clause ("WNC") Rate; (2) Revise the Clean Energy Program Component of Its Societal Benefits Charge ("SBC-CEP") Rate; and (3) Revise Its On-System Margin Sharing Credit ("OSMC") Rate - Docket No. GR11080470  
**Agenda Date: July 18, 2012 – Agenda Item: 2B**

As originally published, page four of the July 18, 2012 Order included a typographical error. A date was mistakenly indicated as May 31, 2012. The correct date is May 31, 2013 and the order has been reissued with this date corrected.

Sincerely,

A handwritten signature in black ink, appearing to read "Kristi Izzo", with a long horizontal line extending to the right.

Kristi Izzo  
Secretary of the Board

/ac  
enclosure



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ENERGY

IN THE MATTER OF THE PETITION OF PIVOTAL HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS TO 1) REVISE ITS WEATHER NORMALIZATION CLAUSE RATE; 2) REVISE THE CLEAN ENERGY PROGRAM COMPONENT OF ITS SOCIETAL BENEFITS CHARGE RATE; AND 3) REVISE ITS ON-SYSTEM MARGIN SHARING CREDIT ) DECISION AND ORDER ) APPROVING STIPULATION AND ADOPTING INITIAL DECISION ) ) ) ) BPU DOCKET NO. GR11080470

**Mary Patricia Keefe, Vice President, Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas**  
**Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel**

BY THE BOARD<sup>1</sup>:

BACKGROUND

Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas ("Elizabethtown" or "Company") filed a petition ("2011 Petition") with the New Jersey Board of Public Utilities ("Board") on August 4, 2011, assigned to Docket No. GR11080470, seeking to revise the Weather Normalization Clause ("WNC") and the New Jersey Clean Energy Program ("CEP") rate components of its Societal Benefits Charge ("SBC") rate, and its On-System Margin Sharing Credit ("OSMC"). Elizabethtown had a previous WNC, SBC and OSMSOC filing pending at the Board in Docket No. GR10070510 when the 2011 Petition was filed<sup>2</sup>. On May 23, 2012, the Board issued an Order in that docket ("May 23 Order") approving a stipulation among Board Staff, the New Jersey Division of Rate Counsel ("Rate Counsel") and Elizabethtown which resolved all issues concerning the petitions to reconcile Elizabethtown's SBC and WNC for the 2009-2010 period, and set Elizabethtown's currently effective SBC and WNC rates.

The 2011 Petition requested an increase in Elizabethtown's then-current WNC rate of \$0.0065 per therm to \$0.0127 per therm. The proposed WNC rate of \$0.0127 per therm reflected the

<sup>1</sup> Commissioner Joseph L. Fiordaliso did not participate.

<sup>2</sup> IN THE MATTER OF THE PETITION OF PIVOTAL HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS TO 1) REVISE ITS WEATHER NORMALIZATION CLAUSE RATE; 2) REVISE ITS SOCIETAL BENEFITS CHARGE RATE; AND 3) REVISE ITS ON-SYSTEM MARGIN SHARING CREDIT, GR11080470. The May 23 Order also set the Remediation Adjustment Clause (RAC) rate which is not affected by this Order.

weather experienced in Elizabethtown's service territory during the period October 1, 2010 through May 31, 2011, which was 9 degree days or 0.2% warmer than normal, as well as cumulative prior winter period revenue deficiency balances of \$4,338,398. As of the May 23, Order, Elizabethtown's currently effective rate is \$0.0127 per therm<sup>3</sup>.

The WNC normalizes the financial impact of weather conditions on both the Company and its weather-sensitive ratepayers. Variances in actual degree days from normal for each day are measured and accumulated over the calendar month for each month in the Winter Period (i.e. October through May). The resulting cumulative degree day variance determines the adjustment to customers' bills in the following Winter Period. Excess margin resulting from a colder than normal Winter Period is returned to ratepayers; while a short-fall from normal margin resulting from a warmer than normal Winter Period is recovered by the Company. The May 23 Order approved a WNC rate of \$0.0127 per therm for Elizabethtown Gas Company.

The 2011 Petition sought to increase Elizabethtown's then-effective SBC-CEP rate of \$0.0158 per therm to \$0.0641 per therm. The CEP was created as a result of the Electric Discount and Energy Competition Act as a mean of funding programs to promote both energy efficiency and renewable energy. As proposed, the SBC-CEP rate of \$0.0641 per therm was designed to recover \$28,496,789 in CEP-related costs inclusive of prior period under-recovery balances. The costs included in the SBC-CEP rate include payments made directly to the State's fiscal agent; expenses for the costs of administering New Jersey CEP energy efficiency programs, and payments made to the renewable or grid supply program vendors at the direction of BPU Staff. In accordance with the May 23 Order, Elizabethtown's currently effective SBC-CEP rate is \$0.0426 per therm.

The 2011 Petition further proposed an OSMC rate of a credit of \$0.0188 per therm. Elizabethtown's proposed OSMC rate reflected an increase of \$0.0016 per therm from the then current rate credit of \$0.0172 per therm. The OSMC provides for 80% of the margins generated from on-system non-firm sales and transportation services to be credited to firm sales customers and residential transportation customers. As of the May 23 Order, Elizabethtown's currently effective OSMC rate is a credit of \$0.0241 per therm.

The 2011 Petition was transmitted to the Office of Administrative Law ("OAL") for hearing as a contested case on November 28, 2011, and was assigned to Administrative Law Judge ("ALJ") Leland S. McGee.

Public hearings were duly noticed and held in Rahway, New Jersey on October 18, 2012, and in Flemington, New Jersey on October 24, 2012. No members of the public attended the public hearings.

Elizabethtown, Board Staff and Rate Counsel (collectively "the Parties") conducted discovery and reached a settlement ("Stipulation")<sup>1</sup> on June 13, 2012, which resolves all issues in this proceeding. On June 21, 2012, ALJ Leland S. McGee issued his Initial Decision approving the Stipulation finding that the Parties voluntarily agreed to the settlement as evidenced by their agreement or their representatives' agreement, and that the Stipulation fully disposes of all issues in controversy and is consistent with the law.

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<sup>3</sup> All rates are stated inclusive of Sales and Use Tax ("SUT").

**STIPULATION FOR SBC, OSMC AND WNC RATES<sup>4</sup>**

1. The Effective Date of this Stipulation will coincide with the date on which a Board Order in these proceedings has been properly served on the parties of record or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.
2. The following rates are to be established as of the effective date of the Board Order in this matter, and remain in effect until changed by further Order of the Board:

WNC	\$0.0127 per therm
SBC - CEP	\$0.0641 per therm
OSMC	(\$0.0188) per therm

3. The above rates are set to recover the following increases in revenue to Elizabethtown:

Rates	Revenue at Current Rates	Revenue at Stipulated Rates
CEP	\$20,005,014	\$30,101,441
OSMC	(\$7,091,271)	(\$5,531,780)
WNC	<u>\$3,964,258</u>	<u>\$3,964,268</u>
Total	\$16,878,001	\$28,533,919

4. Elizabethtown represents that the labor allocation reflected in the SBC-CEP rider rates proposed in the 2011 Petition did not include recovery of incentive compensation costs and the rates agreed to in this Stipulation do not reflect recovery of such costs.
5. Approval of this Stipulation will result in a total SBC rate of \$0.0838 per therm inclusive of the currently effective RAC, CEP, Universal Service Fund (USF) and Lifeline rate components. Elizabethtown's current USF and Lifeline rates approved by Order dated October 13, 2011 in Dkt. No. ER11070397 are not impacted by this Stipulation.
6. The annual bill impact of the stipulated WNC, SBC-CEP, and OSMC rates on a typical residential heating customer using 1,000 therms is an annual increase of \$26.80 from \$1,190.32 to \$1,217.12 or 2.3% as compared to the Company's current rates.

The proposed rates will increase Elizabethtown's annual revenues by approximately \$11.7 million based on the Company's most recent therm forecast.

**DISCUSSION AND FINDING**

The Board has reviewed the attached Initial Decision and Stipulation in their entirety and **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 Initial Decision and Stipulation as its own, as if fully set forth herein.

<sup>4</sup> Although described at some length in this Order, should there be any conflict between this summary and the Stipulation, the terms of Stipulation control, subject to the findings and conclusion in this Order.

The Board **HEREBY ORDERS** that the after-tax per therm WNC, SBC-CEP and OSMC rates are as follows:

WNC	\$0.0127 per therm
SBC - CEP	\$0.0641 per therm
OSMC	(\$0.0188) per therm

The Company shall be permitted to charge the above approved WNC rate commencing on October 1, 2012 through May 31, 2013<sup>5</sup>, to the extent necessary to eliminate any WNC under-recovery balance.

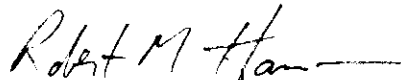
The Company is **HEREBY DIRECTED** to file the appropriate tariff sheets conforming to the terms and conditions of this Order within five (5) business days after the effective date of this Order.

The Company's gas costs will remain subject to audit by the Board. This Decision and Order shall not preclude the Board from taking any such actions deemed to be appropriate as a result of any such audit.

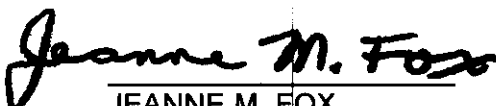
This Order shall be effective on the date on which this Order is served as required by N.J.S.A. 48:2-40.

DATED: 8/10/12

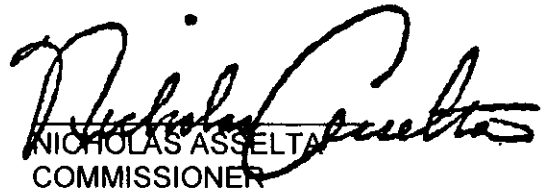
BOARD OF PUBLIC UTILITIES  
BY:



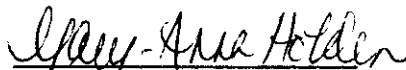
ROBERT M. HANNA  
PRESIDENT



JEANNE M. FOX  
COMMISSIONER



NICHOLAS ASSELTA  
COMMISSIONER



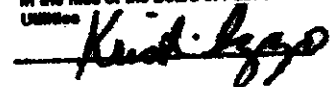
MARY-ANNA HOLDEN  
COMMISSIONER

ATTEST:



KRISTI IZZO  
SECRETARY

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



<sup>5</sup> This order was originally issued on July 18, 2012. However, this date was mistakenly indicated as May 31, 2012. The correct date is May 31, 2013 and the order has been reissued with this date corrected.

IN THE MATTER OF THE PETITION OF PIVOTAL HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS TO 1) REVISE ITS WEATHER NORMALIZATION CLAUSE RATE; 2) REVISE THE CLEAN ENERGY PROGRAM COMPONENT OF ITS SOCIETAL BENEFITS CHARGE RATE; AND 3) REVISE ITS ON-SYSTEM MARGIN SHARING CREDIT R RATE  
 BPU DOCKET NO. GR11080470

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