Elizabethtown Gas

Mary Patricia Keefe
Vice President, Regulatory
Affairs and Business Support

May 12, 2017

Via Electronic Mail and Federal Express

Irene Kim Asbury, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue
3rd Floor, Suite 314
P.O. Box 350
Trenton, New Jersey 08625

Re: ***Infrastructure Programs - Straw Proposal***

Dear Secretary Asbury:

In accordance with the "Announcement of Stakeholder Process" issued on the New Jersey Board of Public Utilities' ("Board") website, enclosed for filing in connection with the above matter are an original and ten copies of "Comments of Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas ("Elizabethtown") Regarding Infrastructure Programs Staff Straw Proposal."

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

Sincerely,

Mary Patricia Keefe / KB

Mary Patricia Keefe

MPK/

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

Infrastructure Programs – Straw Proposal	**)**	**BPU Docket No.______**
	)	

COMMENTS OF PIVOTAL UTILITY HOLDINGS, INC. D/B/A ELIZABETHTOWN GAS REGARDING INFRASTRUCTURE PROGRAMS STAFF STRAW PROPOSAL

Introduction

In accordance with the "Announcement of Stakeholder Process" ("Announcement") issued on the New Jersey Board of Public Utilities' ("Board") website, Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas ("Elizabethtown" or "Company") respectfully submits these comments regarding the infrastructure program stakeholder process commenced by Board Staff to develop a straw proposal regarding potential regulations and filing requirements for additional infrastructure projects that will not be included as part of a utility's Capital Expenditures ("CapEx"). The Announcement indicated that after consideration by the Board, the straw proposal may result in a rule applicable to a utility that wishes to establish or expand an infrastructure program. The Announcement further invited parties to submit written comments by May 12, 2017 on various topics outlined below. While the New Jersey Utilities Association is also submitting comments in response to the Announcement that Elizabethtown generally supports, Elizabethtown is submitting its own comments to address certain issues.

Communications and correspondence concerning these comments should be sent as follows:

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The Board has a well-established history of approving utility accelerated infrastructure replacement programs and cost recovery mechanisms of various types, including surcharge/rider mechanisms, to promote the modernization of aging utility infrastructure in New Jersey.[1] Elizabethtown appreciates the opportunity to have input on the development of a framework that will facilitate the continuation of the Board's practice of supporting efforts to enhance the safety and reliability of utility infrastructure on a broader and faster scope, but with consideration of the

[1] *See, e.g. In the Matter of the Petition of Pivotal Utility Holdings, Inc., d/b/a Elizabethtown Gas for Approval of the Elizabethtown Natural Gas Distribution Utility Reinforcement Program and Deferred Accounting Treatment,* Docket No. GO13090826, Decision and Order Approving Stipulation (July 23, 2014) ("ENDURE Order"); *In the Matter of the Petition of Pivotal Utility Holdings, Inc., d/b/a Elizabethtown Gas for Approval of an Accelerated Infrastructure Replacement Program and an Associated Cost Recovery Mechanism*, Docket No. GO12070693, Order (August 21, 2013); *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,* Decision and Order Approving Final Stipulation *Docket No. GO10120969* (May 16, 2011); and *In the Matter of the Proceeding For Infrastructure Investment and A Cost Recovery Mechanism for all Gas Utilities/ In the Matter of the Petition of Pivotal Utility Holdings, Inc., d/b/a Elizabethtown Gas for Approval of a Utility Infrastructure Enhancement Cost Recovery Rider,* Docket No. EO09010049, GO09010053 (April 16, 2009) (UIE I Order).

challenges that the industry faces today in undertaking these important improvements, particularly the need for more regulatory certainty and contemporaneous rate recovery.

Elizabethtown is fully committed to the safe and reliable operation of its gas distribution system and intends to continue to invest the capital necessary to modernize and upgrade its aging infrastructure. Since 2009, Elizabethtown has replaced a significant amount of its vintage, at-risk material and recognizes the benefits of accelerating the replacement of these facilities under a long-term, comprehensive program. Equally important is a rate recovery model that provides for predictability and the timely recovery of the costs associated with pipeline replacement investments that enhance system safety and reliability for utility customers.

Discussion

The ultimate success of long-term accelerated infrastructure investment programs will be determined by the ability of a utility to achieve its infrastructure replacement goals in a manner that permits timely cost recovery and accounts for the operational and financial characteristics of individual utilities and the distinct needs of their service territories. Elizabethtown respectfully submits that it is critical that the framework for an accelerated infrastructure replacement program provides the flexibility to allow individual utilities to propose programs and associated cost recovery mechanisms that address their unique circumstances. With these considerations, Elizabethtown respectfully comments on the following points listed in the Announcement, related largely to Program Scope, Cost Recovery and issues within those categories:

Program Scope

Point No. 3: Any Infrastructure Program must be incremental to the Utility's average CapEx over the prior five years.

Elizabethtown does not agree that the amount of infrastructure a utility can replace under an infrastructure program should be constrained either by a cap or a base tied to average historical CapEx amounts. In other words, the level of CapEx eligible to be included in an infrastructure program should not be based on the historical levels of a particular type or amount of capital investment by a utility, *i.e.* infrastructure investment or other capital expenditure category; nor should it be linked to a utility's overall historical CapEx. Imposing this type of requirement is neither constructive nor consistent with the goal of encouraging utility investment in infrastructure to enhance safety and reliability.

The purpose of an accelerated infrastructure program is to increase the rate at which at-risk aging facilities are replaced to enhance safety and reliability. Limiting capital investment eligible for accelerated recovery would only create a needless barrier to achieving this result. The amount of capital for infrastructure programs should be based on consideration of what is appropriate under the circumstances for an individual utility at the time of its filing, including the level of investment needed to achieve the necessary safety and reliability enhancements within a certain time period and the ability of the utility to undertake the infrastructure projects with the resources available to it. Similarly, Elizabethtown agrees that utilities should be permitted to propose a broad array of projects in an infrastructure program including those related to safety, "reliability, resiliency, and/or replacement." Permissible projects should include pipeline replacements, excess flow valves and utility operating and information systems, including those that promote cyber security. Infrastructure programs that go beyond the simple replacement of aging distribution facilities have previously been authorized by the Board and are consistent with the goal of modernizing and enhancing the resiliency of utility systems.[2]

Point No. 4: A filing in support of an Infrastructure Program must:

a) Include projected annual CapEx budgets for a five-year period, broken down by major category of expenditures;

[2] *See, e.g.,* ENDURE Order approving, *inter alia*, investments in SCADA system equipment.

b) Specify the projects, and include descriptions of project objectives and detailed cost estimates;

c) Include an Infrastructure Program budget establishing the maximum (or "cap") that can be spent (although year to year variations of ten percent will be allowed, and larger variations may be permitted with Board approval);

d) Include similar projects within the utility's CapEx budget equal to ten percent of the amount of the Infrastructure Program; and be supported with semi-annual status reports for project management oversight purposes.

In the past, infrastructure program proposals have typically included a description of projects, project objectives and cost estimates and Elizabethtown agrees it is appropriate that filings continue to include this type of information. With respect to including projected five-year CapEx information with an infrastructure filing, Elizabethtown has no objection to including this type of information for informational purposes with the recognition that a utility's five year forecast may be subject to later updates. The Company similarly has no objection to providing information about other projects included in the CapEx budget.

Elizabethtown does not agree that there should be an automatic cap on the expenditures that may be recovered through an infrastructure program. Imposing this type of requirement could have an unreasonable punitive effect on a utility because of the potential that these types of projects will experience variances from budgeted amounts due to factors that are outside the utility's ability to control. If the Board is inclined to impose a cap, it is important to ensure that program cost estimates reflect contingencies to provide an allowance for unexpected or extraordinary changes in circumstances, that there be the ability to exceed the cap by some percentage, (*i.e.* by at least 10%) and that utilities be provided with the authority to defer revenue requirement amounts associated with capital expenditures in excess of the maximum or cap so as to provide the utility with the opportunity for later recovery of the deferred amounts.

Cost Recovery

Point No. 7: Cost recovery will be through a surcharge mechanism that will allow accelerated recovery.

Elizabethtown submits that it is appropriate to recover accelerated infrastructure costs through a "surcharge", meaning a "rider" mechanism that consists of an additional charge that is added to the utility bill in addition to base distribution rate charges. Timely cost recovery is crucial to utilities in today's competitive capital markets and a rider mechanism that closely aligns the timing of expenditures with the commencement of cost recovery will ensure that utilities are properly incentivized to undertake projects needed to enhance safety and reliability for customers.

A rider mechanism similar to that approved for Elizabethtown's Utility Infrastructure Enhancement ("UIE") Program in 2009 is the optimal model for recovery of accelerated infrastructure replacement costs.[3] The UIE-type rider provides for the timely recovery of costs, based on projected expenditures subject to an annual reconciliation to actual expenditures. The details of how this cost recovery mechanism operates are included in Attachment A to these comments. Consistent with Point No. 13, under the rider mechanism, "rates will be provisional, with prudency to be determined in the next base rate case, which will be required to be filed no

[3] *See* UIE I Order and Attachment A to these comments containing excerpts from the UIE I Order and Stipulation on the cost recovery model.

later than five years after the approval of the Infrastructure Program."[4] Elizabethtown submits that the UIE rider model offers a sound and tested approach to timely recovery of infrastructure costs that is administratively efficient and fairly balances the interests of utilities and their customers.

On a related issue, as to Point No. 11,[5] Elizabethtown agrees that an allowance for funds used during construction ("AFUDC") should be accrued on utility investments that are not yet placed in service in order to fully compensate utilities fully for their investment costs. The revenue requirement associated with the surcharge mechanism supported by Elizabethtown would reflect plant additions that include AFUDC until they are placed in service.

Elizabethtown appreciates that some utilities may prefer the use of a mechanism that provides for periodic base rate roll-ins of infrastructure costs over a rider.[6] In Elizabethtown's view, the preferred model is the UIE-type rider, but individual utilities should be able to propose

[4] This approach ensures the timely recovery of a utility's infrastructure costs and preserves the Board's ability to examine the just and reasonableness of program costs. Elizabethtown agrees that utilities should have the flexibility to stay out of a rate case for up to five years after approval of an infrastructure filing and there is ample authority in New Jersey to support this conclusion. N.J.S.A. 48:2-21 and 48:2-21.1 provide the Board with the authority to approve rate adjustment clauses. Similarly, New Jersey courts have long recognized the Board's ability to approve rate adjustment clauses as long as there is a sufficient nexus between the adjustment clause rates and base rates. *See e.g., In re Intrastate Industrial Sand Rates*, 66 N.J. 12 (1974). While the law provides that there be a nexus to a base rate case, it does not require that the nexus requirement be satisfied by the filing of a base rate case within a specific timeframe.

[5] Point No. 11 provides: "Allowance for Funds Used During Construction ("AFUDC") would be allowed but not deferred accounting once facilities are in service".

[6] *See, e.g.*, ENDURE Order.

and implement cost recovery mechanisms that are suitable to their unique financial and operational needs.[7]

Point No. 9: The maximum annual increase in rates attributable to an Infrastructure Program will be two percent.

Elizabethtown agrees that annual utility infrastructure filings should provide information concerning projected total bill impacts. Elizabethtown does not agree that rate increases attributable to an infrastructure program should be subject to a maximum cap of two percent per year. Rather individual utility infrastructure-related rate increases should be considered on a case-by-case basis.

To the extent that the Board ultimately chooses to adopt a cap on the annual rate increases that will be authorized through annual infrastructure filings, Elizabethtown submits the Board should permit utilities to defer for future recovery any infrastructure-related revenue requirements that exceed the cap. For example, if a two percent annual cap applies, utilities should be permitted to defer any unrecovered revenue requirement in excess of the two percent for recovery in a future period which the two percent cap does not apply.

Point No. 14: An annual earnings test shall be required, which shall include an unadjusted cost and revenue study.

Elizabethtown does not object to an earnings test. However, the results of an earning test should not be rotely applied to foreclose recovery of the costs of infrastructure investments. Rather utilities should be permitted to identify events that may have had an extraordinary impact on utility's earnings and the opportunity to demonstrate that excess earning should not foreclose

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[7] Point No. 12. provides "The utilities will be allowed to file rate recovery petitions on a semi-annual basis provided at least ten percent of the Infrastructure Program's costs were in service during the semi-annual period." As set forth above, Elizabethtown supports a surcharge/rider cost recovery mechanism that would be subject to annual reconciliation. While there would be an annual reconciliation for projected and actual costs, it would not and should not depend on how much of the costs were in service during the period. If intended to apply to tracker mechanisms, again, Elizabethtown does not believe a utility's ability to implement a rate increase should depend on in service amounts and does not have an issue with the use of semi-annual adjustments for those utilities that would utilize a tracker over a surcharge.

recovery of infrastructure-related costs in any particular period. While Elizabethtown understands the Board's desire to examine overall utility earnings when considering periodic rate increases, the Board should not foreclose utilities from presenting information that explains why, for example, such earning are unlikely to be recurring.

Point No. 15: If the calculated Return on Equity ("ROE") exceeds the allowed ROE from the last base rate case by fifty basis points, there will be no accelerated recovery for the next six months and until a new calculation shows no return over the fifty basis points.

Elizabethtown does not object to the suggested ROE cap to the extent that, as described above, the utility is provided an opportunity to demonstrate that its earnings are unlikely to be recurring and that the earnings related cap should not be applied.

Conclusion

Elizabethtown appreciates the efforts undertaken by the Board and the Company is encouraged that this process will result in a workable framework that continues to encourage utilities to accelerate their investment in the replacement of at-risk infrastructure and also ensures the timely recovery of the utilities' cost of doing so. Elizabethtown requests that the Board consider these comments in the development of the straw proposal to ensure this result.

Respectfully submitted,

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

Mary Patricia Keefe /KB

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May 12, 2017

Agenda Date: 4/16/09
Agenda Item: 2A

STATE OF NEW JERSEY

Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
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ENERGY

IN THE MATTER OF THE PROCEEDING FOR INFRASTRUCTURE INVESTMENT AND A COST RECOVERY MECHANISM FOR ALL GAS AND ELECTRIC UTILITIES	))))	DECISION AND ORDER APPROVING STIPULATION DOCKET NO. EO09010049
IN THE MATTER OF THE PETITION OF PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS FOR APPROVAL OF A UTILITY INFRASTRUCTURE ENHANCEMENT COST RECOVERY RIDER	))))	DOCKET NO. GO09010053

(SERVICE LIST ATTACHED)

BY THE BOARD:

Background:

On October 16, 2008 in response to the worldwide economic downturn and seeking to mitigate its effects on New Jersey, Governor Jon Corzine announced plans to provide immediate assistance for New Jersey residents and long term economic growth options through an "Economic Stimulus Plan." Governor Corzine called on the New Jersey Board of Public Utilities ("BPU" or "Board") and the State's public utilities to aid in that plan by implementing the policy changes to be proposed in the State's about to be released Energy Master Plan ("EMP").

The EMP, issued on October 22, 2008, is the roadmap to guide the State toward a responsible energy future with adequate, reliable energy supplies that are both environmentally responsible and competitively priced[1]. Under the EMP, major goals for New Jersey include maximizing energy conservation and energy efficiency, and reducing energy consumption by at least 20% by 2020. The EMP also calls for upgrading energy infrastructure to ensure the continued reliability of energy supply, support increased

[1] For the full text of the EMP, see www.nj.gov/emp.

of the Governor's Economic Stimulus Plan.[7] The costs associated with the Qualifying Projects will be recovered through the implementation of a Cost Recovery Rider charge, subject to review, as set forth in the Stipulation. Appendix A contains a description of each Qualifying Project, the projected cost for each Qualifying Project, the estimated number of jobs created as a result of each Qualifying Project, and the projected timeline and completion date for each Qualifying Project.

According to the Stipulation the Company anticipates that the design and construction work associated with the Qualifying Projects will generate approximately 65 incremental jobs in its service territory. The Company will endeavor to employ contractors and engineering firms located in New Jersey. The Company's estimate of the workforce necessary for the Qualifying Projects does not include any ancillary job impacts that will increase the overall benefits generated from the Qualifying Projects

The work associated with the Qualifying Projects will commence within a reasonable time of receipt of a final Board Order in this proceeding, and will proceed in accordance with the estimated construction start and completion dates set forth in Appendix A of the Stipulation.

ETG requests that the Board approve, subject to reconciliation and refund, cost recovery through the implementation of a Cost Recovery Rider rate of $0.0037 per therm for the four Qualifying Projects listed in Appendix A subject to a review of the prudence of the Qualifying Projects and expenditures made by Elizabethtown in its 2009 Base Rate Case. In any such prudency review, the record of this proceeding, including this Stipulation, shall be fully incorporated and considered.

The Stipulation states that if it is necessary for the Company to eliminate or substitute another project for any of the Qualifying Projects during the term of its Infrastructure 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.

Cost Recovery Mechanism

The revenue requirement recovered through the Cost Recovery Rider will be calculated to include a return on investment and a return of the Company's investment through depreciation, as well as associated carrying costs. The calculation will include recovery of ETG's Capital Costs, grossed up for the revenue expansion factor, as well as depreciation expense and carrying costs on over and under recovery balances arising from the operation of the Cost Recovery Rider. ETG's Capital Costs are defined as the after-tax return on capital most recently established by the Board for the Company multiplied by net plant additions associated with the Qualifying Projects less the accumulated depreciation and accumulated deferred taxes associated with such Projects. Depreciation expense will be calculated using then-current Board-approved rates and methodologies at the time the expense is booked, i.e., the approved depreciation rate in effect at the time the expense is booked. Carrying costs on over and under-recovery balances will be calculated as set forth in Paragraph 20 of the Stipulation. The initial revenue requirement and resulting

[7] In its January 20, 2009 filing, the Company proposed to replace certain heaters at its Cloverleaf and Sussex Gate stations at a total cost of $630,000. In lieu of this project, the Company proposes to replace incremental bare steel or cast iron main.

Cost Recovery Rider rate of $0.0037 per therm is calculated utilizing projected cost data subject to annual adjustments. Draft tariff sheets necessary to implement the Cost Recovery Rider are set forth on Appendix B of the Stipulation. The calculation of the revenue requirement for the purpose of setting the initial Cost Recovery Rider rate is set forth in Appendix C of the Stipulation. The Board shall set the effective date of the initial Cost Recovery Rider rate.

The Parties have agreed that the initial revenue requirement calculation for the Qualifying Projects will commence during the month in which the Cost Recovery Rider charge is implemented and will be based upon projected expenditures for the Qualifying Projects. The monthly over and under recovery calculation will be based on actual revenues billed under the Cost Recovery Rider and revenue requirement for Qualified Projects in each month. A sample calculation, as well as a template for illustration purposes, is also set forth in Appendix C.

According to the Stipulation, the Company will file an annual petition ("Annual Filing") to adjust its Cost Recovery Rider rate on a calendar year basis, with copies provided to Board Staff and Rate Counsel, no later than November 1st of each year which is two months prior to the January 1st date proposed for the implementation of the revised Cost Recovery Rider rate. Each Annual Filing will contain a reconciliation of its projected Cost Recovery Rider costs and recoveries and actual revenue requirements, as well as the items described in the minimum filing requirements ("MFRs") in Appendix D of the Stipulation. The Company will not be permitted to seek to recover incremental operation and maintenance expenses in its future Annual Filings.

In calculating the monthly interest on net over and under recoveries, the interest rate shall be based upon the Company's interest rate obtained on its commercial paper and/or bank credit lines. If both commercial paper and bank credit lines have been utilized, the weighted average of both sources of capital shall be used. The interest amount charged to the Cost Recovery Rider will be computed using the methodology set forth in Appendix C of the Stipulation. The true-up calculation of over and under recoveries will be included in the Company's Annual Filing.

The projects and associated investment costs included in the Annual Filing, as well as the level of the proposed Cost Recovery Rider rate, will be subject to review by Board Staff, Rate Counsel, and Intervenors with opportunity for discovery and filed comments, prior to the issuance of a Board Order establishing the Company's proposed new annual Cost Recovery Rider rate adjustment. The issuance of the Board order will be preceded by public notice and hearing to the extent required by law. The Company's recovery will be limited to capital costs, depreciation expense and carrying costs.

Base Rate Case Requirement

According to the Stipulation, at the conclusion of the 2009 Base Rate Case a Phase II will be established for the purpose of reviewing the prudence of the remaining Qualifying Projects and costs not previously incorporated into base rates. Unless and until an alternative mechanism is approved, the Company will be permitted to recover a revenue requirement for the Qualifying Projects through the Cost Recovery Rider which will be set at the conclusion of the 2009 Base Rate Case. The Stipulating Parties further stipulated that, during the Phase II proceedings, there will be annual true-ups of the net capitalized amounts of the Qualifying Projects and of the Cost Recovery Rider, and, the net capitalized amounts of the Qualifying Projects, deemed to be reasonable and prudent, will

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF PROCEEDING FOR INFRASTRUCTURE INVESTMENT AND A COST RECOVERY MECHANISM FOR ALL ELECTRIC & GAS UTILITIES	**BPU DOCKET NO. EO09010049**
IN THE MATTER OF PROCEEDING FOR INFRASTRUCTURE INVESTMENT AND A COST RECOVERY MECHANISM FOR PIVOTAL UTILITY HOLDINGS, INC. D/B/A ELIZABETHTOWN GAS	**BPU DOCKET NO. GO09010053**
	STIPULATION

APPEARANCES:

Kenneth Maloney and **Deborah Franco**, Attorneys for the Petitioner, Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas
Mary Patricia Keefe., Vice President for Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas

Felicia Thomas-Friel, Deputy Public Advocate; Judith B. Appel, Assistant Deputy Public Advocate(s), Department of the Public Advocate, Division of Rate Counsel (**Ronald K. Chen**, Public Advocate**, Stefanie A. Brand,** Director)

Caroline Vachier, Anne Shatto, Alex Moreau, Jessica L. Campbell, Kerri Kirschbaum, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (**Anne Milgram,** Attorney General of New Jersey)

Steven Goldenberg, Esq. for the New Jersey Large Energy Users Coalition

TO: THE NEW JERSEY BOARD OF PUBLIC UTILITIES

BACKGROUND

1. Pursuant to *N.J.S.A.* 48:2-21 and 48:2-21.1, Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas ("ETG" or the "Company") filed a petition ("Petition") in Docket No.

14. The Board should approve, subject to reconciliation and refund, cost recovery through the implementation of a Cost Recovery Rider rate of $0.0037 per therm for the four Qualifying Projects listed in Appendix A subject to a review of the prudence of the Qualifying Projects and expenditures made by Elizabethtown in its 2009 Base Rate Case. In any such prudence review, the record of this proceeding, including this Stipulation, and all discovery shall be fully incorporated and considered.

B. Substitution of Projects

15. If it is necessary for the Company to eliminate or substitute another project for any of the Qualifying Projects during the term of its Infrastructure 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.

C. Cost Recovery Mechanism

16. The revenue requirement recovered through the Cost Recovery Rider will be calculated to include a return on investment and a return of the Company's investment through depreciation, as well as associated carrying costs. The calculation will include recovery of ETG's Capital Costs, grossed up for the revenue expansion factor, as well as depreciation expense and carrying costs on over and under-recovery balances arising from the operation of the Cost Recovery Rider. Elizabethtown's Capital Costs are defined as the after-tax return on capital most recently established by the Board for the Company multiplied by net plant additions associated with the Qualifying Projects less the accumulated depreciation and accumulated deferred taxes associated with such Projects. Depreciation expense will be calculated using then-current Board-approved rates and methodologies at the time the expense is booked. Carrying costs on over and under-recovery balances will be calculated as set forth in Paragraph 20 below.

The initial revenue requirement and resulting Cost Recovery Rider rate of $0.0037 per therm is calculated utilizing projected cost data subject to annual adjustments. Draft tariff sheets necessary to implement the Cost Recovery Rider are set forth on Appendix B hereto. The calculation of the revenue requirement for the purpose of setting the initial Cost Recovery Rider rate is set forth in Appendix C attached hereto and made a part of this Stipulation.

17. The Board shall set the effective date of the initial Cost Recovery Rider rate.

18. The initial revenue requirement calculation for the Qualifying Projects will commence during the month in which the Cost Recovery Rider charge is implemented and will be based upon projected expenditures for the Qualifying Projects. The monthly over and under recovery calculation will be based on actual revenues billed under the Cost Recovery Rider and the revenue requirement for Qualified Projects in each month. A sample calculation, as well as a template for illustration purposes, is set forth in Appendix C. The Company will not be permitted to seek to recover incremental operation and maintenance expenses in any future Annual Filing.

19. The Company will file an annual petition ("Annual Filing") to adjust its Cost Recovery Rider rate on a calendar year basis, with copies provided to Board Staff and Rate Counsel, no later than two months from the date proposed for the implementation of the revised Cost Recovery Rider rate, which shall be January 1st of each year. Each Annual Filing will contain a reconciliation of its projected Cost Recovery Rider costs and recoveries and actual revenue requirements, as well as the items set forth in the minimum filing requirements ("MFRs") set forth in Appendix D attached hereto and made a part of this Stipulation. The Company will not be permitted to seek to recover incremental operation and maintenance expenses in its future Annual Filings

20. In calculating the monthly interest on net over and under recoveries, the interest rate shall be based upon the Company's interest rate obtained on its commercial paper and/or bank credit lines. If both commercial paper and bank credit lines have been utilized, the weighted average of both sources of capital shall be used. The interest amount charged to the Cost Recovery Rider will be computed using the methodology set forth in Appendix C attached hereto and made a part of this Stipulation. The true-up calculation of over-and under-recoveries will be included in the Company's Annual Filing.

21. The projects and associated investment costs included in the Annual Filing, as well as the level of the proposed Cost Recovery Rider rate, will be subject to review by Board Staff, Rate Counsel, and Intervenors with opportunity for discovery and filed comments, prior to the issuance of a Board Order establishing the Company's proposed new annual Cost Recovery Rider rate adjustment. The issuance of the Board order will be preceded by public notice and hearing to the extent required by law. The Company's recovery will be limited to Capital Costs, depreciation expense and carrying costs.

D. <u>Base Rate Case Requirement</u>

22. In the 2009 Base Rate Case, a Phase II will be established for the purpose of reviewing the prudence of the remaining Qualifying Projects and incorporating the revenue requirement associated with Projects into base rates. During the Phase II proceedings, there will be annual true-ups of costs recovered through the Cost Recovery Rider, which will be designed to permit the Company to recover the full revenue requirement associated with the Qualifying Projects as approved by the Board. At such time as all costs associated with the Qualifying Projects deemed just and reasonable by the Board are incorporated into base rates and the balance of costs recovered through the Cost Recovery Rider is fully reconciled, the Cost Recovery Rider will be terminated.

APPENDIX B

Tariff Sheets

ELIZABETHTOWN GAS COMPANY	SECTION II
B. P. U. NO. 13 – GAS	REVISED SHEET NO. 102
CANCELLING	SUPERSEDING
B. P. U. NO. 12 – GAS	REVISED SHEET NO. 102

RIDER "F"

UTILITY INFRASTRUCTURE ENHANCEMENT ("UIE")

Applicable to all RDS, SGS, GDS, MFS, TC, LVD, IPF, 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.

$0.0037 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, Governor Jon S. Corzine 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; and

The UIE will include costs associated with the replacement of connected services, meters and other appurtenant facilities that are upgraded by the Company when it replaces such mains as well as the relocation of meters to outside locations to better facilitate the reading and maintenance of meters. These costs will become recoverable when the project is deemed completed and operational and recorded on the Company's books as plant in service.

Date of Issue:

Effective: Service Rendered
on and after

Issued by: Jodi Gidley
Sr. Vice President, Mid-Atlantic Operations
300 Connell Drive, Suite 3000
Berkeley Heights, New Jersey 07922

Filed Pursuant to Order of the Board of Public Utilities
dated in Docket No.

ELIZABETHTOWN GAS COMPANY
B. P. U. NO. 13 – GAS
CANCELLING
B. P. U. NO. 12 – GAS

SECTION II
REVISED SHEET NO. 103
SUPERSEDING
REVISED SHEET NO. 103

RIDER "F"

UTILITY INFRASTRUCTURE ENHANCEMENT ("UIE")
(continued)

Determination of the UIE

On or about November 1 of each year, the Company shall file with the Board a UIE rate filing based on the costs and recoveries incurred during the previous UIE periods. The filing will reflect as much actual information as is available at the time of the filing as well as estimates for the upcoming year to develop the UIE rate to be effective January 1st as follows:

The UIE monthly recoverable investment amounts shall be derived from taking the average of the beginning and end of month gross plant in service associated with the UIE projects less accumulated depreciation and accumulated deferred income tax credits times the Company's after tax weighted average cost of capital grossed up for the Company's revenue factor, as those rates and factors have been approved in the Company's most recent base rate case, plus monthly depreciation at current approved depreciation rates.

The UIE rate shall be calculated by summing the (i) prior period UIE over or under recovery balance, plus (ii) current year monthly recoverable investment amounts, less (iii) current year recoveries, plus (iv) current year carrying costs based on the monthly average over or under recovered balances, at a rate equal to the rate obtained on the Company's commercial paper or bank credit lines, or if both sources have been utilized, the weighted average of both, plus (v) an estimated amount to recover the upcoming year's recoverable investment amount and dividing the resulting sum by the annual forecasted quantities for the applicable customers set forth above. The resulting rate shall be adjusted for all applicable taxes.

Date of Issue:

Effective: Service Rendered
on and after

Issued by: Jodi Gidley
Sr. Vice President, Mid-Atlantic Operations
300 Connell Drive, Suite 3000
Berkeley Heights, New Jersey 07922

Filed Pursuant to Order of the Board of Public Utilities
dated in Docket No.

Appendix C

INFRASTRUCTURE INVESTMENT PROGRAM

CALCULATION OF INTEREST CHARGES

Year 1 Assumptions:	**Projected Annual**	**Projected Monthly**	**Actual Annual**
Total Capital Expenditures	$20,230,000		$20,230,000
Revenue Requirement - Year 1	$726,296	$80,700	$726,296
Total Sales (thm)	209,641,305		209,641,305
Recovery Rate pre tax	$0.0035		$0.0035
Total Amount Actually Collected			$726,296

Revenue Breakdown:	Jan	Feb	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	
Year 1 Uniform				14.08%	7.95%	5.45%	5.29%	5.39%	5.83%	10.96%	17.50%	27.56%	100.00%
Interest Rate (Annual - Assuming Fixed Rate)													
Year 1 Uniform and Actual				3.69%	3.69%	3.69%	3.69%	3.69%	3.69%	3.69%	3.69%	3.69%	

Year 1 - As Projected Initially Based on Uniform Monthly Rev. Req.	April '09	May '09	June '09	July '09	Aug. '09	Sept. '09	Oct. '09	Nov. '09	Dec. '09	Total
Revenue Requirement	$80,700	$80,700	$80,700	$80,700	$80,700	$80,700	$80,700	$80,700	$80,700	$726,296
Monthly Recoveries	(102,229)	(57,772)	(39,566)	(38,420)	(39,178)	(42,312)	(79,586)	(127,094)	(200,139)	($726,296)
(Over)/Under Recovery	($21,530)	$22,928	$41,134	$42,279	$41,522	$38,388	$1,113	($46,394)	($119,439)	$0
Beginning Balance - (Over)/Under Recovery	$0	($21,530)	$1,398	$42,532	$84,811	$126,333	$164,720	$165,834	$119,439	
Ending Balance (Over)/Under Recovery	($21,530)	$1,398	$42,532	$84,811	$126,333	$164,720	$165,834	$119,439	$0	
Average Balance (Over)/Under	($10,765)	($10,066)	$21,965	$63,671	$105,572	$145,526	$165,277	$142,636	$59,720	
Interest Rate (Monthly)	0.31%	0.31%	0.31%	0.31%	0.31%	0.31%	0.31%	0.31%	0.31%	
Interest (To Customer) /To Company	($33)	($31)	$68	$196	$325	$447	$508	$439	$184	$2,102

Year 1 - Actual	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Total
Revenue Requirement	$2,732	$8,194	$13,651	$32,099	$63,527	$94,926	$130,552	$170,401	$210,214	$726,296
Adjustments	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Monthly Recoveries	($102,229)	($57,772)	($39,566)	($38,420)	($39,178)	($42,312)	($79,586)	($127,094)	($200,139)	($726,296)
(Over)/Under Recovery	($99,497)	($49,578)	($25,915)	($6,322)	$24,349	$52,614	$50,966	$43,307	$10,075	$0
Beginning Balance - (Over)/Under Recovery	$0	($99,497)	($149,075)	($174,990)	($181,312)	($156,963)	($104,348)	($53,382)	($10,075)	
Ending Balance (Over)/Under Recovery	($99,497)	($149,075)	($174,990)	($181,312)	($156,963)	($104,348)	($53,382)	($10,075)	($0)	
Average Balance (Over)/Under	($49,748)	($124,286)	($162,032)	($178,151)	($169,137)	($130,655)	($78,865)	($31,729)	($5,038)	
Interest Rate (Monthly)	0.31%	0.31%	0.31%	0.31%	0.31%	0.31%	0.31%	0.31%	0.31%	
Interest (To Customer) /To Company	($153)	($382)	($498)	($548)	($520)	($402)	($243)	($98)	($15)	($2,859)

Appendix C

Year 2 Assumptions:	Projected Annual	Projected Monthly	Actual Annual
Total Cumulative Capital Expenditures	$32,598,000		$32,598,000
Revenue Requirement - Year 2	$4,427,554	$368,963	$4,427,554
Year 1 True-Up (Over)/Under	($2,102)	($175)	($2,102)
Year 1 Interest (To Customer)/To Company	($2,859)	($238)	($2,859)
Total Amount to be Collected	$4,422,593	$368,549	$4,422,593
Total Sales (thm)	388,180,235		388,180,235
Recovery Rate pre tax	$0.0114		$0.0114
Total Amount Actually Collected			###########

Revenue Breakdown:	Jan	Feb	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	
Year 2 Uniform	17.58%	15.40%	13.01%	7.60%	4.30%	2.94%	2.86%	2.91%	3.15%	5.92%	9.45%	14.88%	100.00%
Interest Rate (Annual - Assuming Fixed Rate)													
Year 2 Uniform and Actual	3.69%	3.69%	3.69%	3.69%	3.69%	3.69%	3.69%	3.69%	3.69%	3.69%	3.69%	3.69%	

Year 2 - As Projected Initially Based on Uniform Monthly Rev. Req.

	Jan. '10	Feb. '10	March '10	April '10	May '10	June '10	July '10	Aug. '10	Sept. '10	Oct. '10	Nov. '10	Dec. '10	Total
Revenue Requirement	$368,963	$368,963	$368,963	$368,963	$368,963	$368,963	$368,963	$368,963	$368,963	$368,963	$368,963	$368,963	$4,427,554
Interest	(2,859)												(2,859)
Monthly Recoveries	(777,675)	(680,967)	(575,478)	(336,187)	(189,987)	(130,115)	(126,348)	(128,839)	(139,145)	(261,725)	(417,957)	(658,170)	(4,422,593)
(Over)/Under Recovery	($411,571)	($312,004)	($206,515)	$32,776	$178,976	$238,847	$242,615	$240,124	$229,817	$107,238	($48,994)	($289,207)	$2,102
Beginning Balance - (Over)/Under Recovery	($0)	($411,571)	($723,575)	($930,090)	($897,314)	($718,338)	($479,491)	($236,876)	$3,248	$233,065	$340,303	$291,309	
Ending Balance (Over)/Under Recovery	($411,571)	($723,575)	($930,090)	($897,314)	($718,338)	($479,491)	($236,876)	$3,248	$233,065	$340,303	$291,309	$2,102	
Average Balance (Over)/Under	($205,785)	($567,573)	($826,832)	($913,702)	($807,826)	($598,914)	($358,183)	($116,814)	$118,156	$286,684	$315,806	$146,705	
Interest Rate (Monthly)	0.31%	0.31%	0.31%	0.31%	0.31%	0.31%	0.31%	0.31%	0.31%	0.31%	0.31%	0.31%	
Interest (To Customer) /To Company	($633)	($1,745)	($2,543)	($2,810)	($2,484)	($1,842)	($1,101)	($359)	$363	$882	$971	$451	($10,849)

Year 2 - Actual	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Total
Revenue Requirement	$235,111	$245,105	$255,090	$273,142	$299,256	$325,345	$359,871	$402,827	$445,743	$487,700	$528,700	$569,663	$4,427,554
Adjustments	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0
Monthly Recoveries	($778,045)	($681,291)	($575,751)	($336,347)	($190,077)	($130,177)	($126,408)	($128,900)	($139,212)	($261,849)	($418,156)	($658,483)	(4,424,695)
(Over)/Under Recovery	($542,934)	($436,185)	($320,662)	($63,205)	$109,179	$195,168	$233,463	$273,927	$306,531	$225,851	$110,545	($88,820)	$2,859
Beginning Balance - (Over)/Under Recovery w/ inter	(2,859)	($545,792)	($981,977)	#########	#########	($1,256,665)	($1,061,497)	($828,034)	($554,107)	($247,576)	($21,725)	$88,820	
Ending Balance (Over)/Under Recovery	($545,792)	($981,977)	($1,302,639)	#########	#########	($1,061,497)	($828,034)	($554,107)	($247,576)	($21,725)	$88,820	$0	
Average Balance (Over)/Under	($274,325)	($763,885)	($1,142,308)	#########	#########	($1,159,081)	($944,765)	($691,070)	($400,841)	($134,650)	$33,547	$44,410	
Interest Rate (Monthly)	0.31%	0.31%	0.31%	0.31%	0.31%	0.31%	0.31%	0.31%	0.31%	0.31%	0.31%	0.31%	
Interest (To Customer) /To Company	($844)	($2,349)	($3,513)	($4,103)	($4,032)	($3,564)	($2,905)	($2,125)	($1,233)	($414)	$103	$137	($24,841)

Appendix C

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

CALCULATION OF THE UIE RATE

			April 1, 2009	January 1, 2010	January 1, 2011	
1	Prior Year (Over)/ Under Balance (Sch. TK-2)			($2,859)	($24,841)	
2	Estimated Program Costs (Sch. TK-2)		$726,296	$4,427,554	$7,834,111	
3	Total Proposed Recoveries (Sum L1+L2)		$726,296	$4,424,695	$7,809,269	
4	Projected Firm Sales		209,641,305	388,180,235	388,180,235	therms
5	UIE Rate, before taxes (L3/L4)		$0.0035	$0.0114	$0.0201	
6	Sales & Use Tax @	7.00%	0.0002	0.0008	0.0014	
7	UIE Rate (L5+L6)		**$0.0037**	**$0.0122**	**$0.0215**	/therm

* Estimated rates subject to annual reconciliation filing.

Appendix C

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

Projected Carrying Costs

a	Beginning Balance b	Program Costs TK-3 c	Adjustments d	Recoveries TK-4 e	Ending Balance f=b+c+d-e	Average Balance g=(b+f)2	Short Term Debt Rate	Carrying Cost i=g*h/12	Ending Balance plus Cumulative (O) / U Interest j=f+ cum of i
Beginning Balance (1)									
Apr-09	$0	$2,732	$0	$102,229	($99,497)	($49,748)	3.69%	($153)	($99,650)
May-09	($99,497)	$8,194	$0	$57,772	($149,075)	($124,286)	3.69%	($382)	($149,610)
Jun-09	($149,075)	$13,651	$0	$39,566	($174,990)	($162,032)	3.69%	($498)	($176,023)
Jul-09	($174,990)	$32,099	$0	$38,420	($181,312)	($178,151)	3.69%	($548)	($182,893)
Aug-09	($181,312)	$63,527	$0	$39,178	($156,963)	($169,137)	3.69%	($520)	($159,064)
Sep-09	($156,963)	$94,926	$0	$42,312	($104,348)	($130,655)	3.69%	($402)	($106,851)
Oct-09	($104,348)	$130,552	$0	$79,586	($53,382)	($78,865)	3.69%	($243)	($56,128)
Nov-09	($53,382)	$170,401	$0	$127,094	($10,075)	($31,729)	3.69%	($98)	($12,918)
Dec-09	($10,075)	$210,214	$0	$200,139	$0	($5,038)	3.69%	($15)	($2,859)
Total		$726,296	$0	$726,296				($2,859)	
Jan-10	($2,859)	$235,111	$0	$778,045	($545,792)	($274,325)	3.69%	($844)	($546,636)
Feb-10	($545,792)	$245,105	$0	$681,291	($981,977)	($763,885)	3.69%	($2,349)	($985,170)
Mar-10	($981,977)	$255,090	$0	$575,751	($1,302,639)	($1,142,308)	3.69%	($3,513)	($1,309,344)
Apr-10	($1,302,639)	$273,142	$0	$336,347	($1,365,844)	($1,334,241)	3.69%	($4,103)	($1,376,652)
May-10	($1,365,844)	$299,256	$0	$190,077	($1,256,665)	($1,311,254)	3.69%	($4,032)	($1,271,505)
Jun-10	($1,256,665)	$325,345	$0	$130,177	($1,061,497)	($1,159,081)	3.69%	($3,564)	($1,079,901)
Jul-10	($1,061,497)	$359,871	$0	$126,408	($828,034)	($944,765)	3.69%	($2,905)	($849,343)
Aug-10	($828,034)	$402,827	$0	$128,900	($554,107)	($691,070)	3.69%	($2,125)	($577,541)
Sep-10	($554,107)	$445,743	$0	$139,212	($247,576)	($400,841)	3.69%	($1,233)	($272,243)
Oct-10	($247,576)	$487,700	$0	$261,849	($21,725)	($134,650)	3.69%	($414)	($46,806)
Nov-10	($21,725)	$528,700	$0	$418,156	$88,820	$33,547	3.69%	$103	$63,842
Dec-10	$88,820	$569,663	$0	$658,483	$0	$44,410	3.69%	$137	($24,841)
Total		$4,427,554	$0	$4,424,695				($24,841)	
Jan-11	($24,841)	$603,597	$0	$1,373,193	($794,438)	($409,639)	3.69%	($1,260)	($795,697)
Feb-11	($794,438)	$630,508	$0	$1,202,429	($1,366,359)	($1,080,398)	3.69%	($3,322)	($1,370,941)
Mar-11	($1,366,359)	$657,393	$0	$1,016,160	($1,725,125)	($1,545,742)	3.69%	($4,753)	($1,734,460)
Apr-11	($1,725,125)	$669,658	$0	$593,628	($1,649,095)	($1,687,110)	3.69%	($5,188)	($1,663,618)
May-11	($1,649,095)	$667,316	$0	$335,472	($1,317,250)	($1,483,173)	3.69%	($4,561)	($1,336,334)
Jun-11	($1,317,250)	$664,974	$0	$229,754	($882,029)	($1,099,640)	3.69%	($3,381)	($904,495)
Jul-11	($882,029)	$662,632	$0	$223,101	($442,498)	($662,264)	3.69%	($2,036)	($467,000)
Aug-11	($442,498)	$660,290	$0	$227,500	($9,708)	($226,103)	3.69%	($695)	($34,905)
Sep-11	($9,708)	$657,948	$0	$245,698	$402,542	$196,417	3.69%	$604	$377,949
Oct-11	$402,542	$655,606	$0	$462,145	$596,003	$499,273	3.69%	$1,535	$572,946
Nov-11	$596,003	$653,264	$0	$738,015	$511,252	$553,628	3.69%	$1,702	$489,897
Dec-11	$511,252	$650,922	$0	$1,162,174	$0	$255,626	3.69%	$786	($20,569)
Total		$7,834,111	$0	$7,809,269				($20,569)	

Appendix C

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS
UTILITY INFRASTRUCTURE ENHANCEMENT ("UIE")
Projected Monthly Recoverable Investment
04/30/09 through 04/30/11

a	Capital Expenditures b	Gross Plant In Service c	Average Gross Plant In Service d	Avg. Book Deprec. % Rate e	Monthly Deprec. f=d*e/12	Accum. Deprec. f	Accum. Deferred Income Tax g= TK-5	Rate Base h=c-f-g	Average Rate Base j	Wtd. Avg. Cost Capital After-tax k	Revenue Factor l	Monthly Return on Investment m= (j) *k*l/12	Monthly Revenue Requirement n=m+f
Begin Balance		$0				$0		$0					
Apr-09	$510,000	$510,000	$255,000	2.14%	$455	$455	$45,983	$463,563	$231,781	6.87%	1.71702	$2,277	$2,732
May-09	$510,000	$1,020,000	$765,000	2.14%	$1,364	$1,819	$91,591	$926,590	$695,076	6.87%	1.71702	$6,830	$8,194
Jun-09	$510,000	$1,530,000	$1,275,000	2.14%	$2,274	$4,093	$136,827	$1,389,080	$1,157,835	6.87%	1.71702	$11,377	$13,651
Jul-09	$2,750,000	$4,280,000	$2,905,000	2.14%	$5,181	$9,273	$180,868	$4,089,859	$2,739,470	6.87%	1.71702	$26,918	$32,099
Aug-09	$2,750,000	$7,030,000	$5,655,000	2.14%	$10,085	$19,358	$222,894	$6,787,747	$5,438,803	6.87%	1.71702	$53,442	$63,527
Sep-09	$2,750,000	$9,780,000	$8,405,000	2.14%	$14,989	$34,347	$262,906	$9,482,747	$8,135,247	6.87%	1.71702	$79,937	$94,926
Oct-09	$3,483,333	$13,263,333	$11,521,667	2.14%	$20,547	$54,894	$300,635	$12,907,804	$11,195,275	6.87%	1.71702	$110,005	$130,552
Nov-09	$3,483,333	$16,746,667	$15,005,000	2.14%	$26,759	$81,653	$335,812	$16,329,202	$14,618,503	6.87%	1.71702	$143,642	$170,401
Dec-09	$3,483,333	$20,230,000	$18,488,333	2.14%	$32,971	$114,624	$368,437	$19,746,939	$18,038,071	6.87%	1.71702	$177,243	$210,214
Jan-10	$982,667	$21,212,667	$20,721,333	2.14%	$36,953	$151,577	$474,845	$20,586,245	$20,166,592	6.87%	1.71702	$198,158	$235,111
Feb-10	$982,667	$22,195,333	$21,704,000	2.14%	$38,705	$190,282	$580,533	$21,424,518	$21,005,382	6.87%	1.71702	$206,400	$245,105
Mar-10	$982,667	$23,178,000	$22,686,667	2.14%	$40,458	$230,740	$685,501	$22,261,759	$21,843,139	6.87%	1.71702	$214,632	$255,090
Apr-10	$2,375,000	$25,553,000	$24,365,500	2.14%	$43,452	$274,192	$789,239	$24,489,569	$23,375,664	6.87%	1.71702	$229,690	$273,142
May-10	$2,375,000	$27,928,000	$26,740,500	2.14%	$47,687	$321,879	$891,237	$26,714,883	$25,602,226	6.87%	1.71702	$251,569	$299,256
Jun-10	$2,375,000	$30,303,000	$29,115,500	2.14%	$51,923	$373,802	$991,496	$28,937,702	$27,826,293	6.87%	1.71702	$273,423	$325,345
Jul-10	$3,833,333	$34,136,333	$32,219,667	2.14%	$57,458	$431,260	$1,089,480	$32,615,593	$30,776,648	6.87%	1.71702	$302,413	$359,871
Aug-10	$3,833,333	$37,969,667	$36,053,000	2.14%	$64,295	$495,555	$1,184,656	$36,289,456	$34,452,524	6.87%	1.71702	$338,532	$402,827
Sep-10	$3,833,333	$41,803,000	$39,886,333	2.14%	$71,131	$566,685	$1,277,024	$39,959,291	$38,124,373	6.87%	1.71702	$374,612	$445,743
Oct-10	$3,675,000	$45,478,000	$43,640,500	2.14%	$77,826	$644,511	$1,366,642	$43,466,848	$41,713,069	6.87%	1.71702	$409,875	$487,700
Nov-10	$3,675,000	$49,153,000	$47,315,500	2.14%	$84,379	$728,890	$1,453,567	$46,970,543	$45,218,695	6.87%	1.71702	$444,321	$528,700
Dec-10	$3,675,000	$52,828,000	$50,990,500	2.14%	$90,933	$819,823	$1,537,800	$50,470,377	$48,720,460	6.87%	1.71702	$478,730	$569,663
Jan-11	$2,515,333	$55,343,333	$54,085,667	2.14%	$96,453	$916,276	$1,673,090	$52,753,967	$51,612,172	6.87%	1.71702	$507,144	$603,597
Feb-11	$2,515,333	$57,858,667	$56,601,000	2.14%	$100,938	$1,017,215	$1,806,538	$55,034,914	$53,894,440	6.87%	1.71702	$529,569	$630,508
Mar-11	$2,515,333	$60,374,000	$59,116,333	2.14%	$105,424	$1,122,639	$1,938,144	$57,313,218	$56,174,066	6.87%	1.71702	$551,969	$657,393
Apr-11	$0	$60,374,000	$60,374,000	2.14%	$107,667	$1,230,306	$2,068,828	$57,074,867	$57,194,042	6.87%	1.71702	$561,992	$669,658
May-11	$0	$60,374,000	$60,374,000	2.14%	$107,667	$1,337,973	$2,199,511	$56,836,516	$56,955,691	6.87%	1.71702	$559,649	$667,316
Jun-11	$0	$60,374,000	$60,374,000	2.14%	$107,667	$1,445,640	$2,330,195	$56,598,165	$56,717,340	6.87%	1.71702	$557,307	$664,974
Jul-11	$0	$60,374,000	$60,374,000	2.14%	$107,667	$1,553,307	$2,460,879	$56,359,814	$56,478,990	6.87%	1.71702	$554,965	$662,632
Aug-11	$0	$60,374,000	$60,374,000	2.14%	$107,667	$1,660,973	$2,591,563	$56,121,463	$56,240,639	6.87%	1.71702	$552,623	$660,290
Sep-11	$0	$60,374,000	$60,374,000	2.14%	$107,667	$1,768,640	$2,722,247	$55,883,112	$56,002,288	6.87%	1.71702	$550,281	$657,948
Oct-11	$0	$60,374,000	$60,374,000	2.14%	$107,667	$1,876,307	$2,852,931	$55,644,762	$55,763,937	6.87%	1.71702	$547,939	$655,606
Nov-11	$0	$60,374,000	$60,374,000	2.14%	$107,667	$1,983,974	$2,983,615	$55,406,411	$55,525,586	6.87%	1.71702	$545,597	$653,264
Dec-11	$0	$60,374,000	$60,374,000	2.14%	$107,667	$2,091,641	$3,114,299	$55,168,060	$55,287,235	6.87%	1.71702	$543,255	$650,922

Appendix C

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

Projected Cost Recoveries

	Therms	Rate w/o tax	Recovery
Apr-09	29,507,853	$0.0035	$102,229
May-09	16,675,516	$0.0035	$57,772
Jun-09	11,420,505	$0.0035	$39,566
Jul-09	11,089,838	$0.0035	$38,420
Aug-09	11,308,468	$0.0035	$39,178
Sep-09	12,213,087	$0.0035	$42,312
Oct-09	22,972,123	$0.0035	$79,586
Nov-09	36,684,985	$0.0035	$127,094
Dec-09	57,768,929	$0.0035	$200,139
Total	209,641,305		$726,296
Jan-10	68,258,163	$0.0114	$778,045
Feb-10	59,769,885	$0.0114	$681,291
Mar-10	50,510,882	$0.0114	$575,751
Apr-10	29,507,853	$0.0114	$336,347
May-10	16,675,516	$0.0114	$190,077
Jun-10	11,420,505	$0.0114	$130,177
Jul-10	11,089,838	$0.0114	$126,408
Aug-10	11,308,468	$0.0114	$128,900
Sep-10	12,213,087	$0.0114	$139,212
Oct-10	22,972,123	$0.0114	$261,849
Nov-10	36,684,985	$0.0114	$418,156
Dec-10	57,768,929	$0.0114	$658,483
Total	388,180,235		$4,424,695
Jan-11	68,258,163	$0.0201	$1,373,193
Feb-11	59,769,885	$0.0201	$1,202,429
Mar-11	50,510,882	$0.0201	$1,016,160
Apr-11	29,507,853	$0.0201	$593,628
May-11	16,675,516	$0.0201	$335,472
Jun-11	11,420,505	$0.0201	$229,754
Jul-11	11,089,838	$0.0201	$223,101
Aug-11	11,308,468	$0.0201	$227,500
Sep-11	12,213,087	$0.0201	$245,698
Oct-11	22,972,123	$0.0201	$462,145
Nov-11	36,684,985	$0.0201	$738,015
Dec-11	57,768,929	$0.0201	$1,162,174
Total	388,180,235		$7,809,269