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

STATE OF NEW JERSEY

Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.nj.gov/bpu/

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.

energy efficiency, renewable energy, and reductions in peak demand.[2] Public utility involvement, along with competition in the renewable energy, conservation and energy efficiency industries are essential to meeting the goals of the EMP. The Governor, together with Board President Jeanne M. Fox, encouraged New Jersey's electric and gas utilities to formulate plans for enhanced investments in infrastructure improvements during 2009. Implementation of such plans would accelerate the current schedule of the electric and gas utilities for planned capital improvements and investments, thereby creating jobs and stimulating the State's economy.

New Jersey's gas and electric utilities responded by filing petitions outlining each utility's proposed projects, and seeking the Board's approval of accelerated investments in utility infrastructure. In reviewing the utilities' petitions, the Board seeks to ensure not only that the proposals further the EMP, but also create jobs to strengthen the local economy.

By Order dated January 29, 2009, the Board determined that these petitions should be retained by the Board for review and hearing, and, as authorized by N.J.S.A. 48:2-32, designated President Fox as the presiding officer. [3]

Procedural History:

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") on January 20, 2009, requesting that the New Jersey Board of Public Utilities ("BPU" or the "Board") approve a Utility Infrastructure Enhancement Program ("Infrastructure Program") and Cost Recovery Rider ("Cost Recovery Rider") and establish an initial Cost Recovery Rider surcharge of $0.0041 per therm to permit the recovery of costs for projects included within the Company's proposed Infrastructure Program.

ETG maintains that as part of its routine capital spending planning, ETG plans for the replacement, reinforcement and expansion of its infrastructure, including its property, plant, facilities and equipment, to maintain the reliability of its distribution system and to ensure the continuation of safe, adequate, and proper utility service. ETG recently proposed in this proceeding to increase its planned infrastructure capital spending at this time, to enhance the reliability of its system and to support economic development and job growth in New Jersey.

ETG initially proposed five projects for inclusion in its Infrastructure Program at a total projected cost of $60.4 million.[4] Those projects were to be constructed and placed in service within a period of approximately two years from the date of final Board approval of the Infrastructure Program. ETG further proposed that it could request to extend the Cost Recovery Rider.

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[2] EMP at 75.

[3] In anticipation of the filings by the utilities, the Board assigned a generic docket number to facilitate the individual utility proceedings, i.e. BPU Docket No. EO09010049, as noted above.

[4] According to the Company, none of these projects duplicate the Pipeline Replacement Program that was previously considered by the Board in *I/M/O the Petition of Pivotal Holdings Inc. d/b/a Elizabethtown Gas Company to Establish a Pipeline Replacement Cost Recovery Rider*, BPU Docket No. GR05040371 "Order Adopting Stipulation" (August 18, 2006).

Public notice was provided through publication in newspapers in general circulation within ETG's service territory, and four public hearings on the Company's Infrastructure Program filing were held on the following dates at 2 locations in the ETG service territory: two hearings on March 4, 2009, in Flemington, New Jersey, and two hearings on March 11, 2009, in Rahway. One member of the public appeared at the Rahway public hearing. Two members of the public appeared at the Flemington hearing.

On February 11, 2009, the New Jersey Large Energy Users Coalition ("NJLEUC") filed a Motion to Intervene in this proceeding. The Motion was unopposed, and was granted on February 25, 2009.

Discovery questions in this matter were propounded by Board Staff and Rate Counsel, and the Company responded to them.

Subsequent to the completion and review of discovery and the four public hearings, representatives of ETG, Board Staff, and Rate Counsel (the "Stipulating Parties") met to discuss the issues in this case and agreed that the Infrastructure Program proposal and associated interim cost recovery mechanism, as amended by the Stipulating Parties and set forth in the attached stipulation (the "Stipulation"), are reasonable and in the public interest[5].

On March 10, 2009, ETG filed a request to increase its base tariff rates and make other tariff changes pursuant to N.J.S.A. 48:2-21 ("2009 Base Rate Case"). ETG proposed that its revised base rates would take effect January 1, 2010. The Company further proposed that the Board's Order in the 2009 Base Rate Case incorporate final approval of the Company's proposals in this proceeding, creating a full legal nexus between this proceeding and the 2009 Base Rate Case.

ETG represents that the Company's proposal, as set forth in the Stipulation, is consistent with and meets the goals of the Economic Stimulus Plan for New Jersey proposed by Governor Jon Corzine to create new jobs and to stimulate the New Jersey economy. The Company maintains that the infrastructure investment projects set forth will enhance service, reliability, and energy efficiency and provide for the creation of approximately 65 incremental jobs.

In this Order, the Board considers the proposed Stipulation, with key provisions described below.

The Proposed Stipulation[6]

The Company represents that the four projects identified in Appendix A of the Stipulation ("Qualifying Projects" or "QP") will assist the Company in providing safe, adequate and proper service to its customers, are incremental in nature, and will create jobs in support

[5] NJLEUC did not sign the Stipulation but submitted a letter (attached to the Stipulation) indicating that it does not formally support or oppose the settlement.

[6] Although described at some length in this Order, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusions in this Order.

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 be rolled into the Company's base rates. Upon the last annual true-up, the net capitalized amounts of the Qualifying Projects, if deemed to be reasonable and prudent, will be rolled into the Company's base rates and the related Cost Recovery Rider and tariff will be terminated.

Minimum Filing Requirements (MFRs)

The Signatory Parties have agreed that the Company will provide the information set forth in Appendix D in its Annual Filing. The Company will also provide in each filing a detailed description, along with corresponding plant accounts, of the expenditures that are reflected in each blanket project in Appendix A, together with measurable parameters, such as line-feet or number of installations, associated with each blanket project.

Rate Design

Rate recovery through the Cost Recovery Rider rate will be effectuated through the assessment of a volumetric surcharge on all firm customers including those served under Service Classifications RDS, SGS, GDS, MFS, TC, LVD, IPF, EGF, GLS and FTS.

Rate Impact

The initial Cost Recovery Rider rate will be $0.0037 per therm including taxes ($0.0035 per therm without taxes), which would result in $0.8 million in incremental recoveries including taxes ($0.7 million in incremental recoveries excluding taxes) during 2009., as illustrated in Appendices B and C to the Stipulation. A typical residential customer using 100 therms of gas during a winter heating month or a typical small general service customer using 100 therms per month will see an increase of $0.37 or 0.2%. A large commercial customer using 1,000 therms in a month will see an increase of $3.70 or 0.3%. The rate impact of the implementation of the proposed Cost Recovery Rider rate for each customer class is set forth in Appendix E.

Quarterly Reporting

The Stipulation provides that the Company will provide the parties with a quarterly report ("Quarterly Report"), reflecting capital expenditures and the job growth resulting from the implementation of each Qualifying Project on a quarterly basis, in the format attached as Appendix F. This reporting will begin thirty days after the end of the first calendar quarter following the issuance of a final Board Order in this proceeding. The Company will also track the number of incremental contractor or other positions associated with the Qualifying Projects and will include that information with each Quarterly Report and Annual Filing submitted to the parties, in the format set forth in Appendix F.

Calculation of Jobs Created

Job creation is an integral part of the Economic Stimulus Plan underlying the Qualified Projects. For purposes of reporting jobs associated with the Qualifying Projects, the Company will define a Full-Time Equivalent ("FTE") job as 1,820 hours per year.

Government Funding

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

Discussion and Findings

The Board recognizes 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, these are not ordinary times.

In his address to the Legislature on October 16, 2008, the Governor called upon the Board to help facilitate job growth and assist in New Jersey's economic stimulus program. The Board, in turn, called upon the State's public utilities to formulate plans for enhanced investments in infrastructure that would both increase reliability and promote employment.

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 require creative responses that respect the law but adapt to extraordinary circumstances**.** In the past, the Board has found that it has the power to act to meet such challenges. N.J.S.A. 48:2-13; In re Implementation of the Two Bridges/Ramapo Water Diversion Project, BPU Docket No. 8011-870 (March 17, 1981). The Board continues to have that power.

Looking generally at all of the infrastructure settlements before the Board, and at ETG's in particular, the Board FINDS that the infrastructure programs reviewed today, if successfully executed, will both increase employment in the State and enhance the reliability of the utilities' distribution systems. Only capital projects which enhance the reliability, safety and security of each utility's distribution system are eligible under these programs as Qualifying Projects. These are projects originally scheduled for future years which can be brought forward into the 2009-2010 time period because they have already been researched and planned by the companies. In the absence of this program, most of the projects would be completed, but only in future years.

In identifying projects to be included in their infrastructure programs, projects using New Jersey-based employees were strongly favored; in contrast, projects not expected to affect employment in New Jersey, such as replacement of vehicles or computers, were eliminated from utility proposals. Projects without an obvious benefit to justify their costs were excluded as well.

Staff engineers reviewed the projects proposed by the utilities to establish that the projects would make the distribution systems more reliable, safer, or more secure, or would provide a combination of these benefits. Rate Counsel also conducted its own review, with substantial input from contracted professional consultants. Based on its review of the information provided, the Board is satisfied that the projects will positively contribute to the reliability, safety and security of utility service.

In addition to providing positive benefits to the provision of safe, adequate, and proper service, the proposed Qualifying Projects are designed to create direct jobs. Evidence presented to the Board during the overall proceedings indicate that the full impact of the overall accelerated infrastructure programs will create approximately 1,302 direct jobs in the private sector – without the use of additional government funding. The Qualifying Projects associated with this particular Order are expected to generate 65 direct jobs over the next two years, primarily in the construction industry. These are actual incremental private sector jobs which would not be created in the absence of these programs. The companies have provided an initial estimate of the incremental jobs to be created by these projects, and as part of the mandatory reporting requirements, will report the actual jobs created on a quarterly basis. Furthermore, the companies will provide reports on capital spending other than for the Qualifying Projects in order to identify any possible shifting of spending and assure that these are actually new jobs which would not have been created without these programs. Without question, the Board FINDS that the accelerated infrastructure programs will have a significant and real benefit on employment in the State.

The estimate of jobs to be created includes only the direct impact of the proposed projects on employment – the employees working on the utility projects themselves. It does not include the indirect impacts with respect to jobs created in other sectors of the state economy for labor, materials, and services needed for the utility projects. Neither does it include what is known as the "induced" impacts resulting from spending by the added employees for local goods and services. These "ripple" effects are difficult to quantify, but they clearly exist. Rate Counsel's consultants estimated that an additional 14,100 direct, indirect and induced jobs will be created by the accelerated infrastructure program. The multiplier calculation is based on the RIMS II Regional Input-Output Model, produced by the Bureau of Economic Affairs, US Department of Commerce, and has not been contradicted by any of the evidence provided during these proceedings. The Board therefore FINDS that the overall estimate of 1,302 direct jobs created is a relatively small fraction of the total jobs to be created as a result of the programs that the Board is approving today.

The Board also notes that current economic conditions have reduced commodity and other input costs, making this a propitious time to pursue capital investment on cost-effective terms. For example, the federal Bureau of Labor Statistics stated that the producer price index ("PPI") for the primary products of iron and steel mills dropped nearly 20% from March 2008 to March 2009; the PPI of iron and steel pipe and tube made from purchased iron and steel dropped nearly 7% over the same period; and the PPI for communication and energy wire and cable manufacturing dropped more than 19%.[8] The price of iron and steel scrap dropped by nearly half over the same period.[9] In addition, the prudency of the projects and reasonableness of the amounts actually spent on the projects will be subject to a base rate review – either within a current reopened or to be filed rate case. This review assures that the projects included in this program will receive

[8] Bureau of Labor Statistics, "Table 5 - Producer price indexes for the net output of selected industries and their products," http://www.bls.gov/ppi/ppitable05.pdf.

[9] Bureau of Labor Statistics, "Table 2 - Producer price indexes and percent changes for selected commodity groupings by stage of processing," http://www.bls.gov/news.release/ppi.t02.htm.

the same level of scrutiny as any project undertaken by a New Jersey utility where the resulting costs become part of the rate base used to calculate rates.

Likewise, the Stipulations require that each company use the Weighted Average Cost of Capital ("WACC") determined in its last rate case, which provides significant financial advantages to ratepayers because the cost of debt and common equity have risen substantially in recent months. The companies originally proposed two much less attractive approaches for determining the WACC for use with the stimulus program: (1) the embedded cost of debt currently on the utility's books plus the cost of equity which the Board awarded to New Jersey Natural Gas Company in its recently completed rate case, i.e., 10.30 percent; or (2) the expected future cost of debt to finance the projects and the expected cost of equity if the Board were making that decision today, possibly as high as 10.50 percent. In rejecting that, and instead negotiating a WACC from each utility's last base rate proceedings, the Board has ensured a significant saving that further solidifies the foundation of approving these accelerated infrastructure programs.

On a net present value basis, the Board FINDS that the cost of these accelerated infrastructure programs to ratepayers is essentially the same as it would be through conventional ratemaking. In the short term, the cost may be less than under conventional ratemaking because the cost of capital used in the clauses, as discussed above, is somewhat below the current market rate. Therefore, the Board FINDS that these additions to rate base are being financed between program inception and the next base rate case at a more attractive cost from a ratepayer perspective.

The federal stimulus package, enacted as the American Recovery and Reinvestment Act of 2009 ("ARRA 2009"), included funding to enhance energy independence and modernize infrastructure. It does not currently appear that the ARRA 2009 includes funding for the types of projects included in the accelerated infrastructure development programs. Should such funds become available under the ARRA 2009, the Stipulations provide that ARRA 2009 funding would be used to reduce the cost of the accelerated infrastructure development programs to ratepayers. The Board notes that the accelerated infrastructure programs eliminate the lag associated with waiting for ARRA 2009 funding to be available for implementing these projects while still preserving for ratepayers any benefits from ARRA 2009 should benefits become available later.

In summary, the Boards FINDS that the overall infrastructure improvement programs, and the projects proposed by the utilities under them, are reasonable and in the public interest because of the positive impact they are expected to have on the reliability, safety and security of utility service. These infrastructure investment programs are timely given the drop in commodity prices, the attractive cost of capital, and the impact on both direct employment and the positive ripple effect on the New Jersey economy. All of these factors make this an appropriate time to proceed with these programs, which enhance and support Governor Corzine's Economic Stimulus Program.

Turning to the ETG Stipulation that is under review, the Board FINDS that it meets the tests articulated above. The Company will invest an estimated $60.4 million over the next two years creating an estimated 65 direct jobs over that period. The projects, totaling four in all, will include the construction of 20 miles of high pressure 12-inch main in Sussex County in order to access additional supply sources and the replacement of over 70 miles of aging cost iron and bare steel mains. The accelerated replacement of this infrastructure is consistent with both state and federal DOT initiatives to improve reliability and enhance the safe operation of the natural gas delivery system in the state. For these improvements a typical residential or small commercial customer using 100 therms of gas during a month will see an increase of about $0.37 or 0.2%, while a large commercial customer using 1,000 therms in a month will see an increase of about $3.70 or 0.3%.

Accordingly, the Board will, in this case, allow the Company to begin recovery of capital expenses for these Qualifying Projects on an interim basis subject to refund during the pendency of the Company's base rate case as contemplated by Paragraph 22 of the Stipulation. This authorization in no way sets a new framework for future actions; instead, it reflects the realities of today's economic situation.

Therefore, the Board, having reviewed the complete record in this proceeding including the attached Stipulation, HEREBY FINDS the Stipulation to be reasonable, in the public interest, and in accordance with law and HEREBY APPROVES the attached Stipulation in its entirety and HEREBY INCORPORATES its terms and conditions as though fully set forth herein.

Furthermore, the Board HEREBY DIRECTS the Company to commence the design and construction of the Qualifying Projects identified in Appendix A of the attached Stipulation; and FURTHER DIRECTS the Company to file its first annual cost recovery filing no later than November 1, 2009, all as more fully set forth in the Stipulation.

The Board HEREBY SETS the effective date of the initial Cost Recovery Rider as the date of this Order written below. Finally, the Board HEREBY RATIFIES all provisional ruling by President Fox for the reasons stated in her Orders.

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

DATED: 4/28/09

BOARD OF PUBLIC UTILITIES
BY:

Jeanne M Fox
JEANNE M. FOX
PRESIDENT

Frederick F. Butler
FREDERICK F. BUTLER
COMMISSIONER

JOSEPH L. FIORDALISO
COMMISSIONER

Nicholas Asselta
NICHOLAS ASSELTA
COMMISSIONER

DISSENT OF COMMISSIONER ELIZABETH RANDALL

These five (5) requests were filed by the utilities in response to Governor Corzine's October 16, 2008 proposal to help revive the State's economy through the acceleration of capital spending projects. In his speech to the New Jersey Legislature on October 16, 2008, the Governor said:

> "First and most practically, I have instructed all Commissioners, most particularly the Commissioners and Directors of the Department of Transportation, New Jersey Transit, the Toll Authorities, the Schools Development Authority, the Board of Public Utilities and the Department of Environmental Protection, to accelerate where feasible all currently funded spending projects."

Although not "currently funded," the utilities are asking the Board to fund these improvements with rate increases which will take effect no later than May 1, 2009. It is my opinion that the projected economic stimulus from these petitions is not sufficient to justify the cost to New Jersey customers.

As discussed below, my decision is based upon two factors: (1) the unprecedented infusion to the State of New Jersey of an anticipated $17.5 billion in federal stimulus monies pursuant to the American Reinvestment Recovery Act (ARRA), and (2) the comparatively small number of new jobs which would be created under these proposals relative to the total cost to New Jersey utility customers.[10]

On February 17, 2009, President Obama signed the ARRA which will inject $787 billion into the U.S. economy. New Jersey is expected to receive $17.5 billion.[11] An additional $240 billion will be available in tax benefits and competitive grants, of which New Jersey hopes to receive $7.2 billion, bringing New Jersey's total of anticipated federal stimulus dollars to $24.7 billion.

Based on estimates from the White House, these dollars will create or save 100,000 New Jersey jobs over the next two years.[12]

[10] The five (5) stipulations indicate the following costs and projected new jobs:

Utility	Projected Cost	Projected Jobs	Customers
NJNG Co.	$70.8 Million	75 – 100	485,000
PSE&G Co.	$694.0 Million	933	2.1M Elec./1.7M Gas
SJG Co.	$103.0 Million	127	335,000
Elizabethtown Gas Co.	$60.4 Million	65	274,000
Atlantic City Electric Co.	$27.6 Million	92	544,000
TOTALS	**$955.8 Million**	**1292-1317**	**5,438,000**

[11] See http://www.recovery.nj.gov

[12] See http://www.recovery.nj.gov

Some four months before President Obama signed the federal stimulus bill, Governor Corzine addressed the New Jersey Legislature and proposed a New Jersey Economic Assistance and Recovery Plan.

The five matters before the Board are a direct result of the call to identify job-creation proposals. Specifically, the Executive branch sought company-specific program proposals with associated cost recovery and rate mechanisms, broken down into the following categories:

1 Infrastructure programs that will effectively spur an increase in construction employment, while increasing the reliability of the electric and gas distribution system.

2. Infrastructure programs that will improve energy efficiency of the electric or gas distribution system.

3. Statewide energy efficiency programs scaled down from the menu of programs submitted by the energy utilities.

Collectively, these five utilities seek permission to spend $955.8 Million (See Footnote 10), all of which will be recovered from customers through increases in utility rates.[13] The language used to describe the method of cost-recovery varies from utility to utility, with one company proposing an "Economic Stimulus Surcharge," and another calling it an "Infrastructure Investment Surcharge."

Terminology aside, while it is true that customers will benefit from these infrastructure investments, it is equally true that these improvements do not need to be completed within the next 24 months. None of the filings indicates that the delivery of safe and adequate service will be at risk if these requests are denied. Indeed, the petitions are replete with references to ongoing capital projects which are already planned and which will be funded by ratepayers.[14]

The number of new jobs to be created through approval of the accelerated projects is estimated at 1292-1317. Given the cost which customers will bear, I am persuaded that the cost of this job creation is too high. While it is true that the average bill will not go up by more than 1%, this amount will remain as part of the customer's bill for as long as it takes to repay the funds being borrowed by the utilities, which is approximately forty years.

Moreover, while some New Jerseyans would be put to work, there is no guarantee that the construction and engineering jobs created by these projects would go to companies

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[13] Also recoverable from customers is a profit for each company. In these cases, the utilities will make a profit of approximately 10%.

[14] Illustrative of this point is paragraph 14 of the Stipulation with New Jersey Natural Gas Company (NJNG) which refers to ongoing infrastructure costs unrelated to this matter and states: "14. NJNG's current capital budgets contemplate the following levels of capital expenditures for non-qualifying projects: $64,563,000 in fiscal year 2009, $51,985,000 in fiscal year 2010 and $51,951,000 in fiscal year 2011. NJNG represents that the expenditures related to the qualifying projects will be incremental to such planned levels of expenditures for 2009, 2010 and 2011."

based in New Jersey.[15] Regardless, the jobs created will be temporary in nature, and do not reflect permanent job creation with the utility companies.

Contrast the efficiency of the BPU's job-creation effort with one recently announced by the Governor and the New Jersey Department of Transportation.

For a cost of $67 million and a promise of 500 jobs, a bridge upgrade will be done on Route 46 in Bergen County. Moreover, federal funds from the American Recovery and Reinvestment Act will pay for $47.6 million of this project, leaving New Jersey taxpayers paying only $19.4 million for 500 jobs.

In sum, the promise and benefits of the federal stimulus program are extraordinary. Were it not for the federal money, we would need to rely on New Jersey taxpayers and ratepayers to shoulder the burden of job creation through increased taxes and rates. Fortunately, this burden need not be increased at this time.

Elizabeth Randall

ELIZABETH RANDALL
COMMISSIONER

ATTEST:

Carmen D. Diaz

CARMEN D. DIAZ
ACTING SECRETARY

[15] Each of the stipulations simply states that the utilities will "endeavor to employ contractors and engineering firms located in New Jersey."

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April 14, 2009

Honorable Kristi Izzo
Secretary
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Two Gateway Center
Newark, New Jersey 07102

Re: 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

Dear Secretary Izzo:

Enclosed for filing in the above proceedings are an original and ten copies of a Stipulation executed by representatives of Pivotal Utility Holdings Inc. d/b/a Elizabethtown Gas ("Elizabethtown"), the Staff of the Board of Public Utilities and the Department of the Public Advocate, Division of Rate Counsel. Elizabethtown requests that the Board issue a Decision and Order approving this Stipulation in its entirety as soon as possible.

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

Yours truly,

Keith T. M

Kenneth T. Maloney

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

cc: Attached Service List

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
BPU DOCKET NOS. EO09010049 AND GO09010053

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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 BPU DOCKET NOS. EO09010049 AND GO09010053

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Revised 2-16-09

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.

GO09010053 on January 20, 2009, requesting that the New Jersey Board of Public Utilities ("BPU" or the "Board") approve a Utility Infrastructure Enhancement Program and Cost Recovery Rider ("Cost Recovery Rider") and establish an initial Cost Recovery Rider surcharge of $0.0041 per therm to permit the recovery of costs for projects included within the Company's proposed Infrastructure Program.

2. As part of its routine capital spending planning, ETG plans for the replacement, reinforcement and expansion of its infrastructure, including its property, plant, facilities and equipment, to maintain the reliability of its distribution system and to ensure the continuation of safe, adequate, and proper utility service. ETG recently proposed in this proceeding to increase its planned infrastructure capital spending at this time, to enhance the reliability of its system and to support economic development and job growth in New Jersey.

3. ETG initially proposed five (5) projects for inclusion in its Infrastructure Program at a total projected cost of $60.4 million.[1] Those projects were to be constructed and placed in service within a period of approximately two years from the date of final Board approval of the Infrastructure Program. ETG further proposed that it could request to extend the Cost Recovery Rider.

4. On January 29, 2009, the Board issued an Order retaining this matter for consideration and designated BPU President Jeanne M. Fox as the presiding officer. On February 2, 2009, the Board issued an Order setting forth a procedural schedule for this matter.[2]

5. Public Notice was provided and four (4) public hearings on the Company's Infrastructure Program filing were held on the following dates at 2 locations in the ETG service

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[1] None of these projects duplicate the Pipeline Replacement Program that was previously considered by the Board in *I/M/O the Petition of Pivotal Holdings Inc. d/b/a Elizabethtown Gas Company to Establish A Pipeline Replacement Cost Recovery Rider*, BPU Docket No. GR05040371 "Order Adopting Stipulation" (August 18, 2006).

[2] In anticipation of the filings by the utilities, the Board assigned a generic docket number, EO09010049, to facilitate the issuance of procedural orders.

territory: two hearings on March 4, 2009, in Flemington, New Jersey, and two hearings on March 11, 2009, in Rahway. One member of the public appeared at the Rahway public hearing. Two members of the public appeared at the Flemington hearing. On or about February 11, 2009, the New Jersey Large Energy Users Coalition filed a Motion to Intervene in this proceeding, which was granted by the Board on February 25, 2009.

6. Discovery questions in this matter were propounded by Board Staff and Rate Counsel, and the Company responded thereto.

7. Subsequent to the completion and review of discovery and the four public hearings, representatives of ETG, Board Staff, and Rate Counsel (the "Stipulating Parties") and the New Jersey Large Energy Users Coalition met to discuss the issues in this case and agreed that the Infrastructure Program proposal and associated interim cost recovery mechanism, as amended by the Stipulating Parties and set forth herein, appear to be reasonable and in the public interest.

8. On March 10, 2009, ETG filed a request to increase its base tariff rates and make other tariff changes pursuant to *N.J.S.A.* 48:2-21 ("2009 Base Rate Case"). ETG proposed that its revised base rates would take effect January 1, 2010. The Company further proposed that the Board's order in the 2009 Base Rate Case incorporate final approval of the Company's proposals in this proceeding, creating a full legal nexus between this proceeding and the 2009 Base Rate Case.

9. ETG represents that the Company's proposal, as amended below, is consistent with and meets the goals of the comprehensive Economic Stimulus Plan for New Jersey proposed by Governor Jon Corzine to create new jobs and to stimulate the New Jersey economy. The infrastructure investment projects set forth herein will enhance service, reliability, and energy efficiency and provide for the creation of approximately 65 incremental jobs.

STIPULATED MATTERS

Specifically, the Stipulating Parties hereby **STIPULATE AND AGREE** to the following.

A. Qualifying Projects

10. The Company represents that the four projects identified in Appendix A ("Qualifying Projects" or "QP") will assist the Company in providing safe, adequate and proper service to its customers, are incremental in nature, and will create jobs in support of the Governor's Economic Stimulus Plan.[3] 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 below.

11. 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.

12. 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.

13. 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.

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[3] 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.

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.

E. Minimum Filing Requirements ("MFR")

23. The Company will provide the information set forth in the MFR attached hereto as Appendix D and made a part of this Stipulation, in its Annual Filing. The Company will also provide in each filing a detailed description, along with corresponding plant accounts, of the expenditures that are reflected in each blanket project in Appendix A, together with measurable parameters, such as line-feet or number of installations, associated with each blanket project.

F. Rate Design

24. Rate recovery through the Cost Recovery Rider rate will be effectuated through the assessment of a volumetric surcharge on all firm customers including those served under Service Classifications RDS, SGS, GDS, MFS, TC, LVD, IPF, EGF, GLS and FTS.

G. Rate Impact

25. The initial Cost Recovery Rider rate will be $0.0037 per therm, including taxes ($0.0035 per therm without taxes), which would result in $0.8 million in incremental recoveries including taxes ($0.7 million excluding taxes) during 2009, as illustrated in Appendices C and F attached to this Stipulation. The Cost Recovery Rider rate will result in a rate increase for a typical residential customer using 100 therms of gas during a winter heating month of $0.37 or 0.2%. The impact on a typical small general service customer using 100 therms during a month would be an increase of $0.37 or 0.2%. The impact for a large commercial customer using 1,000 therms in a month would be an increase of $3.70 or 0.3%. The rate impact of the implementation of the proposed Cost Recovery Rider rate for each customer class is set forth in Appendix E attached hereto and made a part of this Stipulation.

H. Quarterly Reporting

26. The Company will provide the parties with a quarterly report ("Quarterly Report"), reflecting capital expenditures and the job growth resulting from the implementation of each Qualifying Project on a quarterly basis, in the format attached hereto as Appendix F and made a part of this Stipulation. This reporting will begin 30 (thirty) days after the end of the first calendar quarter following the issuance of a Final Board Order in this proceeding. The Company will also track the number of incremental contractor or other positions associated with the Qualifying Projects and will include that information with each Quarterly Report and Annual Filing submitted to the parties, in the format set forth in Appendix F.

I. Calculation of Jobs Created

27. Job creation is an integral part of the Economic Stimulus Plan underlying the Qualified Projects. For purposes of reporting jobs associated with the Qualifying Projects, the Company will define a Full-Time Equivalent ("FTE") job as 1,820 hours per year.

J. Government Funding

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

K. FURTHER PROVISIONS

29. This Stipulation represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, any Party aggrieved thereby shall not be bound to proceed with this Stipulation and shall have the right to litigate all issues addressed herein to a conclusion. More particularly, in the event this Stipulation is not adopted in its entirety by the Board, in any applicable Order(s), then any Party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation as though this Stipulation had not been signed.

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

31. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings. Except as expressly provided herein, neither ETG, the Board, its Staff, the Intervenors, nor Rate Counsel shall be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein and, in total or by specific item, and this Stipulation is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.

WHEREFORE, the Parties hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety, in accordance with the terms hereof, as soon as reasonably possible.

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

By: Mary Patricia Keefe
Mary Patricia Keefe
Vice President and Assistant Corporate Secretary

DEPARTMENT OF THE PUBLIC ADVOCATE
RONALD K. CHEN, PUBLIC ADVOCATE
DIVISION OF RATE COUNSEL
STEFANIE A. BRAND, DIRECTOR

By: Paul Flanagan
Paul Flanagan
DEPUTY PUBLIC ADVOCATE

ANNE MILGRAM
ATTORNEY GENERAL OF NEW JERSEY
Attorney For The Staff Of The New Jersey Board Of Public Utilities

By: Jessica L. Campbell
Jessica L. Campbell
DEPUTY ATTORNEY GENERAL

Date: April 13, 2009

APPENDIX A

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

Projects To Be Included In
Utility Infrastructure Enhancement Program

I. Replace 29 miles of Elevated Pressure ten-inch and twelve-inch cast iron main:

	Estimated Miles To Be Replaced	**Estimated Cost**
Year 1	20	$16.6 million
Year 2	9	$ 8.6 million
Total:		**$25.2 million**

Benefits: Replacement of such main will improve the reliability of Elizabethtown's system. This type of main can be prone to graphitic corrosion.

Estimated number of jobs created: 23

II. Replace 41.9 miles of low pressure four-inch cast iron main:

	Estimated Miles To Be Replaced	**Estimated Cost**
Year 1	11.4	$ 4.0 million
Year 2	30.5	$11.6 million
Total:		**$15.6 million**[1]

Benefits: Elizabethtown replaced its elevated pressure four-inch cast iron main over the past decade. Replacement of low pressure four-inch main will improve the reliability of Elizabethtown's distribution system. This type of main also may be prone to graphitic corrosion.

Estimated number of jobs created: 15

III. Construct 6 miles of high pressure ("HP") eight-inch main between Sparta Township in Sussex County and Franklin Township in Hunterdon County. This project will eliminate an existing 24-mile one way feed.

	Estimated Miles To Be Replaced	**Estimated Cost**
Year 1		$ 2.3 million
Year 2		$ 2.5 million
Total:		**$ 4.8 million**

Benefits: The current one-way feed from Tennessee Gas Pipeline Company ("Tennessee") supplies approximately 4,500 customers from the Sussex gate station. The proposed project would connect the Vernon and Sussex gate stations as well, creating redundancy between the two gate stations if one were lost.

1 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 these projects, the Company proposes to replace additional bare steel or cast iron main in the same amount ($630,000).

Estimated number of jobs created: 12

IV. Construct 20 miles of HP twelve-inch main between Washington Township and Newton Township in Sussex County in order to access additional supply sources for the benefit of 7,500 customers.

Estimated Miles To Be Replaced	Estimated Cost
Year 1	$ 0.3 million
Year 2	$ 14.5 million
Total:	**$ 14.8 million**

Total Benefits: Tennessee is currently the only supply source to this portion of the Company's service territory. This project will permit interchangeability of supply between Tennessee, Transcontinental Gas Pipe Line LLC and Columbia Gas Transmission System.

Estimated number of jobs created: 15

Utility Infrastructure Enhancements						
	Project	**Q1**	**Q2**	**Q3**	**Q4**	**Total Cost**
Year 1	**10" Elevated Pressure Cast Iron**	$250,000	$2,000,000	$3,000,000	$560,000	$5,810,000
	12" Elevated Pressure Cast Iron	$250,000	$4,000,000	$5,000,000	$1,540,000	$10,790,000
	4" Low Pressure Cast Iron	$530,000	$1,500,000	$1,600,000	$398,000	$4,028,000
	Franklin-Sparta Interconnect	$500,000	$750,000	$750,000	$250,000	$2,250,000
	Washington-Newton Interconnect			$100,000	$200,000	$300,000
		$1,530,000	**$8,250,000**	**$10,450,000**	**$2,948,000**	**$23,178,000**
Year 2	**12" Elevated Pressure Cast Iron**	$500,000	$2,500,000	$3,000,000	$2,611,000	$8,611,000
	4" Low Pressure Cast Iron	$1,125,000	$4,000,000	$4,025,000	$2,435,000	$11,585,000
	Franklin-Sparta Interconnect	$1,500,000	$1,000,000			$2,500,000
	Washington-Newton Interconnect	$4,000,000	$4,000,000	$4,000,000	$2,500,000	$14,500,000
		$7,125,000	**$11,500,000**	**$11,025,000**	**$7,546,000**	**$37,196,000**

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.

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.

ETG 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)

ETG INFRASTRUCTURE INVESTMENT PROGRAM
CALCULATION OF INTEREST CHARGES cont'd

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			$4,422,593.12

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/	(2,859)	($545,792)	($981,977)	($1,302,639)	($1,365,844)	($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)	($1,365,844)	($1,256,665)	($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)	($1,334,241)	($1,311,254)	($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)

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.

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)	

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS
UTILITY INFRASTRUCTURE ENHANCEMENT ("UIE")
Projected Monthly Recoverable Investment
4/30/09 through 4/30/11

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

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

APPENDIX D

MINIMUM FILING REQUIREMENTS

1. [COMPANY]'s income statement for the most recent 12 month period, as filed with the New Jersey Board of Public Utilities ("BPU").
2. The Company's balance sheet for the most recent 12 month period, as filed with the BPU.
3. The Company's overall capital budget broken down by major categories, including distribution and incremental capital expenditures for the Qualifying Projects, both budgeted and actual amounts.
4. For each Qualifying Project or proposed new project:
    a. The original project summary for each Qualifying Project;
    b. Capital expenditures incurred to date;
    c. Revenues collected.
    d. Appropriate metric (e.g., poles replaced, linear feet of installed cable, etc.)
5. Anticipated project timeline with updates and expected changes.
6. A schedule detailing the Qualifying Projects and Non-Qualifying Projects to date as compared to the Company's original approved capital spending plans.
7. A summary of expenditures for each of the Qualifying Projects that identify each expenditure from project inception through the end of the current quarter.
8. A calculation of the proposed rate adjustment based on details related to Qualifying Projects included in Plant in Service.
    a. A calculation of the associated depreciation expense, based on those projects closed to Plant in Service during the period.
9. A list of FTE equivalent jobs created and their duration associated with each Qualifying Project.

10. A list of any and all funds or credits received from the United States government, the State of New Jersey, a county or a municipality, for work related to any of the Qualifying Projects, such as relocation, reimbursement or stimulus money.

a. An explanation of the financial treatment associated with the receipt of the government funds or credits.

11. A monthly revenue requirement calculation based on actual capital expenditures, showing the actual monthly revenue requirement for each of the past twelve months, as well as supporting calculations.

12. Actual revenues, by month, collected from ratepayers pursuant to the tariff(s).

13. Monthly beginning and ending clause balances, as well as the average balance for the month.

13. The interest rate used each month for over/under recoveries, and all supporting documentation and calculations for the interest rate.

14. The interest expense to be charged or credited to ratepayers each month.

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS
UTILITY INFRASTRUCTURE ENHANCEMENT ("UIE")
Bill Comparisons Per The Present Bill As Used In The Public Notice

		Rate Change April 1, 2009 $0.0037				Estimated Maximum Rate $0.0215			
	Usage Therms	Present Rates / Bill	New Rates / Bill	Increase / (Decrease)	Percent Change	Present Rates / Bill	New Rates / Bill	Increase / (Decrease)	Percent Change
Residential Distribution Service (RDS)									
Service Charge		**$7.55**	**$7.55**			**$7.55**	**$7.55**		
Distribution Charge, per Therm									
First 35 Therms		**$0.3679**	**$0.3679**			**$0.3679**	**$0.3679**		
Over 35 Therms		**$0.2675**	**$0.2675**			**$0.2675**	**$0.2675**		
Riders, per Therm *		**$1.3355**	**$1.3392**	**$0.0037**		**$1.3355**	**$1.3570**	**$0.0215**	
	10	$24.59	$24.62	0.03	0.1%	$24.59	$24.80	0.21	0.9%
	15	$33.10	$33.16	0.06	0.2%	$33.10	$33.42	0.32	1.0%
	25	$50.14	$50.23	0.09	0.2%	$50.14	$50.67	0.53	1.1%
	50	$91.22	$91.40	0.18	0.2%	$91.22	$92.29	1.07	1.2%
	100	$171.37	$171.74	0.37	0.2%	$171.37	$173.52	2.15	1.3%
	150	$251.51	$252.07	0.56	0.2%	$251.51	$254.74	3.23	1.3%
	250	$411.82	$412.74	0.92	0.2%	$411.82	$417.19	5.37	1.3%
Small General Service (SGS)									
Service Charge		**$16.15**	**$16.15**			**$16.15**	**$16.15**		
Distribution Charge, per Therm		**$0.2978**	**$0.2978**			**$0.2978**	**$0.2978**		
Riders, per Therm		**$1.3362**	**$1.3399**	**$0.0037**		**$1.3362**	**$1.3577**	**$0.0215**	
	10	$32.49	$32.53	0.04	0.1%	$32.49	$32.71	0.22	0.7%
	15	$40.66	$40.72	0.06	0.1%	$40.66	$40.98	0.32	0.8%
	25	$57.00	$57.09	0.09	0.2%	$57.00	$57.54	0.54	0.9%
	50	$97.85	$98.04	0.19	0.2%	$97.85	$98.93	1.08	1.1%
	100	$179.55	$179.92	0.37	0.2%	$179.55	$181.70	2.15	1.2%
	150	$261.25	$261.81	0.56	0.2%	$261.25	$264.48	3.23	1.2%
	200	$342.95	$343.69	0.74	0.2%	$342.95	$347.25	4.30	1.3%

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS
UTILITY INFRASTRUCTURE ENHANCEMENT ("UIE")
Bill Comparisons Per The Present Bill As Used In The Public Notice

		Rate Change April 1, 2009	$0.0037			Estimated Maximum Rate	$0.0215		
	Usage Therms	Present Rates / Bill	New Rates / Bill	Increase / (Decrease)	Percent Change	Present Rates / Bill	New Rates / Bill	Increase / (Decrease)	Percent Change
General Delivery General Service (GDS)									
Service Charge		**$16.15**	**$16.15**			**$16.15**	**$16.15**		
Demand Charge per Tl		**$0.810**	**$0.810**			**$0.810**	**$0.810**		
Distribution Charge, pe		**$0.1954**	**$0.1954**			**$0.1954**	**$0.1954**		
Riders, per Therm		**$0.9140**	**$0.9177**	**$0.0037**		**$0.9140**	**$0.9355**	**$0.0215**	
DCQ	Therms								
15	300	$361.12	$362.23	1.11	0.3%	$361.12	$367.57	6.45	1.8%
20	400	$476.11	$477.59	1.48	0.3%	$476.11	$484.71	8.60	1.8%
25	500	$591.10	$592.95	1.85	0.3%	$591.10	$601.85	10.75	1.8%
50	1,000	$1,166.05	$1,169.75	3.70	0.3%	$1,166.05	$1,187.55	21.50	1.8%
149	3,000	$3,465.04	$3,476.14	11.10	0.3%	$3,465.04	$3,529.54	64.50	1.9%
249	5,000	$5,764.84	$5,783.34	18.50	0.3%	$5,764.84	$5,872.34	107.50	1.9%
498	10,000	$11,513.53	$11,550.53	37.00	0.3%	$11,513.53	$11,728.53	215.00	1.9%

Demand Charge at
66.0% Load Profile

APPENDIX F

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS

Quarterly Report on Capital Expenditures and Job Creation Related to Qualifying Projects

Proposed Infrastructure Project	Project Type	Estimated Quantity	Major Tasks	Tasks Completed To Date	Quantity Completed To Date	Percent of Quantity/Tasks Completed To Date	Total Estimated Cost	Actual Cost To Date	Percent of Cost To Date	Project Completion Date	Total Jobs To Be Created	Jobs Created To Date	Traditional Budget Actual Spending For The Budget Year	Budgeted Spending For The Budget Year	Actual Spending For The Rate Perio	Actual Spending For The Rate Perioc
(a)	(b)	©*	(d)*	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)*	(o)*	(p)*	(q)*

Notes: 1. For column c & d-If the project cannot be quantified with numbers then it should be broken down into major tasks to be completed.
e.g. desgn phase, material procurement, permit gathering, phases of construction etc.

2. For column N & O the amounts includes only normal spending for the budget year and do not include any spending associated with the qualitified projects in Exhibit A.

3. See Attached Gantt Charts for each project

4. For columns P & Q, the "Rate Period" is e.g., "CAC Period 1", etc.

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April 15, 2009

Kristi Izzo, Secretary
New Jersey Board of Public Utilities
2 Gateway Center
Newark, NJ 07102

Re: In the Matter of the Proceeding For Infrastructure Investment and a Cost Recovery Mechanism for Pivotal Utility Holdings, Inc. D/B/A Elizabethtown Gas
Docket No. EO09010053

Dear Secretary Izzo:

Please accept this letter as the New Jersey Large Energy Users Coalition's ("NJLEUC") comments in response to the proposed Stipulation filed by Pivotal Utility Holdings, Inc. D/B/A Elizabethtown Gas ("Elizabethtown") in this matter. As an intervenor that has participated actively in the settlement discussions underlying the filing, NJLEUC has carefully reviewed the proposed Stipulation, and commends the parties for their concerted settlement efforts. For the reasons set forth below, NJLEUC will not sign the stipulation, and will not formally support or oppose it.

NJLEUC recognizes the economic necessity of taking prompt action to stimulate economic activity and growth in the state of New Jersey. We commend Elizabethtown, BPU Staff and Rate Counsel for working in a timely and collaborative manner to respond to Governor Corzine's call to foster economic development.

A central feature of the proposed Stipulation, however, raises a long-standing concern that, in turn, prevents NJLEUC from affirmatively supporting the Stipulation. Specifically, the volumetric allocation of project costs incorporated by the Stipulation's Cost Recovery Rider ("Rider") is inappropriate under fundamental ratemakings principles. As we have pointed out numerous times in the past, such a volumetric cost allocation scheme produces an inappropriate

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allocation of capital costs to large commercial and industrial users, including the members of NJLEUC. Governor Corzine's call for stimulus measures like those reflected in the Elizabethtown Stipulation is intended to foster economic development in the state. A cost allocation methodology that unfairly burdens the already struggling business community with a disproportionate share of the Stipulation's projected project costs would frustrate, rather than stimulate, the economic revival that both the Governor and the Stipulation wish to encourage. A better method of allocating the Stipulation's project costs would be to base the proposed Rider on peak demand, rather than usage. Accordingly, NJLEUC will not support or sign the Stipulation as it now stands.

While NJLEUC cannot support the volumetric nature of the Rider, we recognize that the Stipulation, to some degree, seeks to ameliorate that concern. The Stipulation, for example, makes clear that the Rider is intended to serve only as an interim measure that would allow Elizabethtown to promptly implement the projects described in the Stipulation. The Stipulation also provides that the volumetric nature of the Rider is not intended to influence or govern any final determination regarding the ultimate allocation of the Stipulation's project costs among Elizabethtown rate classes. Consistent with the interim nature of the Rider, the Stipulation also preserves NJLEUC's (and all other Parties') right to address the ultimate allocation of these project costs in the base rate case recently filed by Elizabethtown. In light of these mitigating features, NJLEUC does not affirmatively oppose the Stipulation.

Respectfully Submitted,

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cc: Distribution List