



Agenda Date: 3/19/14  
Agenda Item: 2F

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

ENERGY

IN THE MATTER OF THE PETITION OF PIVOTAL )  
UTILITY HOLDINGS, INC. D/B/A ELIZABETHTOWN ) ORDER  
GAS CONCERNING ITS PROPOSED CAPACITY )  
MANAGEMENT PLAN ) DOCKET NO. GO13040272

**Parties of Record:**

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

**BY THE BOARD:**

By Order dated March 30, 2011 in BPU Docket GR11020099, the New Jersey Board of Public Utilities ("Board") authorized Pivotal Utility Holdings Inc., d/b/a Elizabethtown Gas ("Elizabethtown" or "Company") to extend its gas supply and capacity asset management agreement with its affiliate, Sequent Energy Management L.P. ("Sequent") for a three-year term ending March 31, 2014. As a condition of the contract extension, Elizabethtown was required to make a filing with the Board either to competitively bid its asset management and gas supply arrangements or to propose some alternative asset management / gas supply arrangement by no later than April 1, 2013.

On April 1, 2013, Elizabethtown made a filing ("April 1 Filing") with the Board in BPU Docket No. GO13040272, requesting that the Board commence a process to extend the gas supply/capacity management relationship the Company has with Sequent. Subsequent to its April 1 Filing, Elizabethtown and Sequent concluded an agreement in principle to extend the current capacity management and gas supply arrangement, subject to Board approval. Representatives of the Company, the Board's Staff, and the Division of Rate Counsel ("Rate Counsel"), the only parties to this proceeding, held a number of meetings and conducted discovery concerning the proposed arrangement. As a consequence of these efforts, the parties have entered into a Stipulation that will, if approved by the Board, permit the Company to extend its arrangement with Sequent for a five-year term subject to certain contractual modifications which are set forth in the Stipulation.

The following are the salient provisions of the Stipulation:

- A. Extension of the Sequent-Elizabethtown Arrangement: Attached to the Stipulation as Appendix A are confidential pro forma agreements for gas supply and capacity management services between Elizabethtown and Sequent. Elizabethtown is authorized to

enter into these agreements with Sequent for a five-year term commencing April 1, 2014 and ending March 31, 2019. Under the agreements, Sequent will pay Elizabethtown an annual fee for the right to act as its gas supplier and capacity management agent. Elizabethtown will credit the entire fee to its Basic Gas Supply Service – Periodic (“BGSS-P”) clause. The fee will consist of a minimum fixed annual payment and a sharing of the capacity release credits, off-system sales margins, physical dispatch optimization and storage arbitrage margins that Sequent is able to obtain for Elizabethtown as follows:

- (i) The minimum fixed payment from Sequent to Elizabethtown will be four million, two hundred and fifty thousand dollars (\$4,250,000.00) annually;
- (ii) Capacity release credits, off-system sales margins, physical dispatch optimization and storage arbitrage margins obtained by Sequent for Elizabethtown will be shared as follows:
  - (a) One hundred percent (100%) of the first \$4,250,000.00 of such margins/credits will be retained by Sequent because Sequent will have already made the minimum payment of \$4,250,000.00 described above;
  - (b) Seventy percent (70%) of annual margins/credits in excess of \$4,250,000.00 and up to \$7,452,000.00 will be retained by Sequent with the remaining thirty percent (30%) credited to Elizabethtown’s BGSS-P clause;
  - (c) Twenty-nine percent (29%) of annual margins/credits in excess of \$7,452,000.00 and up to \$13,717,000.00 will be retained by Sequent with the remaining seventy-one percent (71%) credited to Elizabethtown’s BGSS-P clause;
  - (d) Fifty percent (50%) of annual margins/credits in excess of \$13,717,000.00 and up to \$18,667,000.00 will be retained by Sequent with the remaining fifty percent (50%) credited to Elizabethtown’s BGSS-P clause; and
  - (e) All margins in excess of \$18,667,000.00 will be shared thirty-five percent (35%) to Sequent and sixty-five percent (65%) to Elizabethtown’s BGSS-P clause.

The sharing mechanism described above is illustrated on Appendix B of the Stipulation and results in an overall sharing of thirty percent (30%) of margins/credits to Sequent and seventy percent (70%) of such margins/credits to Elizabethtown’s BGSS-P clause if total margins/credits for any annual period total between \$8,000,000.00 and \$14,000,000.00. Further, it will result in a minimum overall sharing level of 65% to Elizabethtown’s BGSS-P customers.

- B. Modification to Sequent-Elizabethtown Arrangement: In comparison to the gas supply/capacity management arrangement that has been in place during the 2011-2014 period, the revised arrangement reflects certain changes to the pricing indices used to establish the price at which Elizabethtown purchases gas from Sequent. These pricing changes are intended to enable Elizabethtown to purchase a greater quantity of gas at prices established for the Marcellus and Utica shale producing regions. Elizabethtown submits that these pricing changes will enable it to diversify its portfolio of gas purchases and are in the best interests of the Company and its BGSS customers.
- C. Determination of the Margins to be Shared: Attached to the Stipulation as confidential Appendix C is a series of scenarios that detail how margins from various types of transactions will be calculated for purposes of sharing, a description of the various separate “books” that Sequent will maintain in order to properly account for the margins to be shared, and a glossary of technical terms that are utilized in Appendix C.

- D. Audit Rights/Reporting Requirements: Information contained in the Elizabethtown “books” maintained by Sequent will be made available to Staff and Rate Counsel on reasonable notice at Elizabethtown's headquarters in New Jersey. In addition, following the completion of the first year of the term of the Sequent/Elizabethtown agreements and each year thereafter, AGL Resources Inc. (“AGL”), the parent company of Elizabethtown and Sequent, will conduct an internal audit of the Sequent/Elizabethtown agreements. The audit will be conducted at AGL's cost and expense using either internal or external resources as determined by AGL. The auditor will be responsible for determining (i) whether margins were properly credited to Elizabethtown's BGSS-P clause in the manner required by the Stipulation and the attached agreements, and (ii) whether Sequent was treating Elizabethtown in a non-discriminatory manner in relation to other Sequent asset management arrangements. A copy of the results of this internal audit will be provided to the Director of the Division of Energy and the Director of Rate Counsel. All supporting documents will be provided at Elizabethtown's offices in New Jersey on reasonable notice.

All of the information described herein will be provided under a mutually agreeable confidentiality agreement.

In addition, the Company will submit the following reports to the Board, the Director of Energy and Rate Counsel:

- (i) quarterly reports detailing activities that occurred in accordance with Section 2.5 of the Gas Purchase and Sale Agreement. These reports shall include Sequent's initial price quote, any price quotes obtained from others and whether Sequent exercised its right to match the lowest quote or the Company purchased quantities from third parties;
  - (ii) quarterly reports detailing any costs incurred by Elizabethtown as a result of Sequent having to liquidate supply contracts or obtain replacement supplies as a result of its inability to purchase supplies at certain secondary points identified in the Gas Purchase and Sales Agreement for subsequent delivery to Elizabethtown; and
  - (iii) no later than September 30, 2016, an analysis prepared by a third party of the expected asset optimization margin that could have been extracted from Elizabethtown's natural gas capacity and supply portfolio during the years ended March 31, 2015 and March 31, 2016.
- E. Payment of the Fee: The \$4,250,000.00 minimum annual fee will be credited to Elizabethtown's BGSS-P clause in equal quarterly installments on the last day of each quarter – June 30, September 30, December 31, and March 31. Shared margins/credits, if any, in any annual period will be credited to Elizabethtown's BGSS-P clause twice a year on September 30 and March 31. Each year, in the Company's annual BGSS-P filing with the Board, Elizabethtown will advise Staff and Rate Counsel of the results obtained by Sequent during the previous BGSS-P annual period.
- F. Modification to the Elizabethtown – Sequent Agreements: Section 6 of the pro forma Asset Management Agreement (“AMA”) between Elizabethtown and Sequent provides that those entities may agree to modify the AMA to include new “Assets” or to remove, terminate or modify those Assets and to make changes to the AMA to reflect the changes in Assets. The AMA provides that such changes are subject to the approval of the Board. In lieu of requiring Elizabethtown to obtain formal Board approval for such changes in Assets, Elizabethtown will, if it seeks to change the Assets subject to the AMA, file a letter both electronically and in hard copy with the Board, the Director of Energy and Rate Counsel describing the change in Assets, any further changes to the AMA to reflect the changes in Assets and any supporting documentation associated with the change. The Company's

letter will state that the changes to the Assets and all associated changes to the AMA will become effective within sixty days unless an objection to the change is made by Board Staff or Rate Counsel. If an objection is raised, then the Parties will meet to resolve it. If the matter cannot be resolved informally, it will be submitted to the Board for resolution. No change in the AMA will become effective until the later of (i) the sixty day notice period if no objection is raised by Board Staff or Rate Counsel, or (ii) the date on which Staff's and/or Rate Counsel's written objection is resolved by either a written agreement of the Parties or an order of the Board. The Parties recognize that approval of a change in the AMA does not, by itself, constitute approval of any change in Elizabethtown's rates arising from a change in the AMA.

- G. Renewal: Elizabethtown shall make a filing with the Board concerning its asset management and gas supply arrangements on or before April 1, 2018. The Company may propose to extend the Sequent arrangement or consider some other asset management/gas supply arrangement. All Parties reserve the right to take any position concerning any proposal made by Elizabethtown in such filing.

### **DISCUSSION AND FINDINGS**

The Board has reviewed the attached Stipulation, the pro forma agreements for gas supply and capacity management services between Elizabethtown and Sequent, including the appendices. The Stipulation will allow Elizabethtown and Sequent to extend their capacity management and gas supply arrangement for an additional five year period. Elizabethtown's Basic Gas Supply Service – Periodic clause will be credited with a minimum of 4.25 million dollars annually under this arrangement. In addition, the arrangement provides for a sharing of the capacity release credits, off-system sales margins and storage arbitrage margins. The sharing mechanism will result in an overall sharing of thirty percent (30%) to Sequent and seventy percent (70%) to Elizabethtown's BGSS-P clause if total margins / credits for any annual period total between \$8,000,000 and \$14,000,000. Therefore, while the sharing percentages at various levels of total margins have changed from the prior arrangement, the new arrangement continues the benefits of the current agreement at these key margin levels. In addition, the new arrangement reflects certain changes to the pricing indices used to establish the price at which Elizabethtown purchases gas from Sequent. Elizabethtown has represented that these changes will enable the Company to purchase a greater quantity of gas at prices established for the Marcellus and Utica shale producing regions, allowing Elizabethtown to diversify its portfolio of gas purchases and take advantage of market developments that have occurred in recent years. The Stipulation provides that Elizabethtown will make a filing with the Board concerning its asset management and gas supply arrangement on or before April 1, 2018. A filing at that time should provide a one year period within which the parties can develop a record and the Board can make a determination on the appropriateness of a proposed asset management plan to be effective after March 31, 2019.

Based upon the foregoing and the recommendations of Staff and Rate Counsel, the Board **FINDS** that the Stipulation is reasonable, in the public interest, and in accordance with law. N.J.S.A. 48:3-58(u) encourages gas public utilities to procure a portfolio of gas supply provided that doing so provides maximum benefit to BGSS customers. The Stipulation provides for reports that will allow the Board to evaluate the changes approved from the earlier agreements between Sequent and the Company. Therefore, the Board **HEREBY ADOPTS** the Stipulation as its own, as if fully set forth herein. The Board **AUTHORIZES** Elizabethtown to enter into the agreements that are attached to the Stipulation with Sequent for a five-year term commencing April 1, 2014 and ending March 31, 2019.

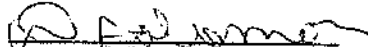
The parties have requested that the proforma agreements in Appendix A and the scenarios and descriptions in Appendix C be treated as confidential information because the parties agree that the information is competitively sensitive. With respect to this request for confidential treatment, the Board **FINDS** that this issue should be decided by the Board's Custodian of Records pursuant to the Board's regulations in N.J.A.C. 14:1-12, if a request for release of such information is made pursuant to those rules.

This Decision and Order shall not preclude the Board from taking any actions deemed to be appropriate as a result of any audit of the utility or its affiliates.

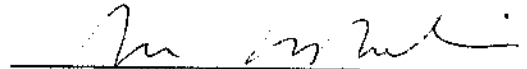
The effective date of this Order is April 1, 2014.

DATED: 3/19/2014

BOARD OF PUBLIC UTILITIES  
BY:

  
DIANNE SOLOMON  
PRESIDENT

  
JEANNE M. FOX  
COMMISSIONER

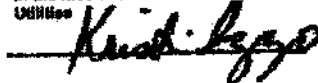
  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
MARY-ANNA HOLDEN  
COMMISSIONER

ATTEST:

  
KRISTI IZZO  
SECRETARY

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





IN THE MATTER OF THE PETITION OF PIVOTAL UTILITY HOLDINGS, INC. D/B/A  
ELIZABETHTOWN GAS CONCERNING ITS PROPOSED CAPACITY MANAGEMENT PLAN  
DOCKET NO. GO13040272

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March 10, 2014

Honorable Kristi L. Izzo  
Board of Public Utilities  
44 South Clinton Ave.  
9<sup>th</sup> Floor, PO Box 350  
Trenton, New Jersey 08625

**Re: In The Matter Of The Petition Of Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas  
Concerning Its Proposed Capacity Management Plan,  
BPU Docket No. GO13040272**

Dear Secretary Izzo:

Enclosed for filing in the above proceeding are an original and ten copies of the preliminary public version of a Stipulation executed by Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas ("Elizabethtown"), the Staff of the Board of Public Utilities ("Board") and the Department of the Public Advocate, Division of Rate Counsel in the above captioned proceedings. The Stipulation would, if approved by the Board, permit Sequent Energy Management L.P. ("Sequent") to serve as Elizabethtown's capacity manager and gas supplier for a five year term beginning April 1, 2014. Elizabethtown requests that the Board consider and approve the Stipulation at the earliest possible opportunity.

The Stipulation contains two appendices – Appendix A and C that are proprietary and confidential. Accordingly, this filing contains only the preliminary public version of the Stipulation. Elizabethtown will make a filing pursuant to the Open Public Records Act (*N.J.S.A. 47:1A-1 et seq.* and *N.J.A.C. 14:1-12.1 et seq.*) that will contain the full confidential version of the stipulation.

Copies of the Stipulation have been served electronically on all parties. Kindly acknowledge receipt of this letter by file stamping and returning the designated copy in the enclosed self addressed envelope.

Yours truly,

/s/ Kenneth T. Maloney  
Kenneth T. Maloney

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

cc: Service List w/enclosures



**IN THE MATTER OF THE PETITION OF PIVOTAL UTILITY HOLDINGS, INC. D/B/A ELIZABETHTOWN GAS  
CONCERNING ITS PROPOSED CAPACITY MANAGEMENT PLAN,  
BPU DOCKET NO. GR13040272**

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**IN THE MATTER OF THE PETITION OF PIVOTAL UTILITY HOLDINGS, INC. D/B/A ELIZABETHTOWN GAS  
CONCERNING ITS PROPOSED CAPACITY MANAGEMENT PLAN,  
BPU DOCKET NO. GR13040272**

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

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**In The Matter Of The Petition Of Pivotal            :**  
**Utility Holdings, Inc. d/b/a Elizabethtown        :**        **Docket No. GO13040272**  
**Gas Concerning Its Proposed Capacity         :**  
**Management Plan                                   :**        **STIPULATION**  
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**BACKGROUND**

Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas (“Elizabethtown” or “Company”) currently purchases the majority of its firm gas supplies and receives capacity management services from its affiliate Sequent Energy Management L.P. (“Sequent”). Elizabethtown’s current arrangement with Sequent, which expires March 31, 2014, was approved by the Board of Public Utilities (“Board”) by Order dated March 30, 2011 in BPU Docket No. GR11020099 (“March 30 Order”).

On April 1, 2013, Elizabethtown filed a petition in this proceeding requesting that the Board commence a process to extend the gas supply/capacity management relationship the Company has in place with Sequent. Subsequent to that filing, Elizabethtown and Sequent concluded an agreement in principle, subject to Board approval, under which they proposed to extend the current capacity management and gas supply arrangement. Representatives of the Company, the Board’s Staff (“Staff”) and the Division of Rate Counsel (“Rate Counsel”)(collectively “the Parties”), the only parties to this proceeding, held a number of meetings and conducted discovery concerning the proposed arrangement. As a consequence of these efforts, the Parties have reached this Stipulation which, if approved by the Board, will permit the Company to extend its arrangement with Sequent for a five-year term subject to certain contractual modifications which are set forth in this stipulation.

### Stipulation

Based upon and subject to the terms and conditions set forth herein, the Parties stipulate and agree as follows:

**A. Extension Of The Sequent-Elizabethtown Arrangement.** Attached hereto as Appendix A are confidential *pro forma* agreements for gas supply and capacity management services between Elizabethtown and Sequent. Elizabethtown is authorized to enter into these agreements with Sequent for a five-year term commencing April 1, 2014 and ending March 31, 2019. Under the agreements, Sequent will pay Elizabethtown an annual fee for the right to act as its gas supplier and capacity management agent. Elizabethtown will credit the entire fee to its Basic Gas Supply Service – Periodic (“BGSS-P”) clause. The fee will consist of a minimum fixed annual payment and a sharing of the capacity release credits, off-system sales margins, physical dispatch optimization and storage arbitrage margins that Sequent is able to obtain for Elizabethtown as follows:

- (i) The minimum fixed payment will be four million, two hundred and fifty thousand dollars (\$4,250,000.00) annually;
- (ii) Capacity release credits, off-system sales margins, physical dispatch optimization and storage arbitrage margins obtained by Sequent for Elizabethtown will be shared as follows:
  - (a) One hundred percent (100%) of the first \$4,250,000.00 of such margins/credits will be retained by Sequent because Sequent will have already made the minimum payment of \$4,250,000.00 described above;

- (b) Seventy percent (70%) of annual margins/credits in excess of \$4,250,000.00 and up to \$7,452,000.00 will be retained by Sequent with the remaining thirty percent (30%) credited to Elizabethtown's BGSS-P clause;
- (c) Twenty-nine percent (29%) of annual margins/credits in excess of \$7,452,000.00 up to \$13,717,000.00 will be retained by Sequent with the remaining seventy-one percent (71%) credited to Elizabethtown's BGSS-P clause;
- (d) Fifty percent (50%) of annual margins/credits in excess of \$13,717,000.00 up to \$18,667,000.00 will be retained by Sequent with the remaining fifty percent (50%) credited to Elizabethtown's BGSS-P clause; and
- (e) All margins in excess of \$18,667,000.00 will be shared thirty-five percent (35%) to Sequent and sixty-five percent (65%) to Elizabethtown's BGSS-P clause.

The margin sharing mechanism described above is illustrated on Appendix B which is attached hereto. The margin sharing formula results in an overall sharing of approximately thirty percent (30%) of margins/credits to Sequent and seventy percent (70%) of such margins/credits to Elizabethtown's BGSS-P clause if total margins/credits for any annual period are between \$8,000,000.00 and \$14,000,000.00.

**B. Modification To Sequent-Elizabethtown Arrangement.** In comparison to the gas supply/capacity management arrangement that has been in place during the 2011-2014 period, the revised arrangement reflects certain changes to the pricing indices used to establish



the price at which Elizabethtown purchases gas from Sequent. These pricing changes are intended to enable Elizabethtown to purchase a greater quantity of gas at prices established for the Marcellus and Utica shale producing regions. Elizabethtown submits that these pricing changes will enable it to diversify its portfolio of gas purchases and are in the best interests of the Company and its BGSS customers.

C. **Determination Of The Margins To Be Shared.** Attached hereto as confidential Appendix C is a series of scenarios that detail how margins from various types of transactions will be calculated for purposes of sharing, a description of the various separate "books" that Sequent will maintain in order to properly account for the margins to be shared, and a glossary of technical terms that are utilized in Appendix C.

D. **Audit Rights/Reporting Requirements.** Information contained in the Elizabethtown "books" maintained by Sequent will be made available to Staff and Rate Counsel on reasonable notice at Elizabethtown's headquarters in New Jersey. In addition, following the completion of the first year of the term of the Sequent/Elizabethtown agreements and each year thereafter, AGL Resources Inc. ("AGL"), the parent company of Elizabethtown and Sequent, will conduct an internal audit of the Sequent/Elizabethtown agreements. The audit will be conducted at AGL's cost and expense using either internal or external resources as determined by AGL. The auditor will be responsible for determining (i) whether margins were properly credited to Elizabethtown's BGSS-P clause in the manner required by this Stipulation and the attached agreements, and (ii) whether Sequent was treating Elizabethtown in a non-discriminatory manner in relation to other Sequent asset management arrangements. A copy of the results of this internal audit will be provided to the Director of the Division of Energy of Staff and the Director of Rate Counsel. All supporting documents will be provided at

Elizabethtown's offices in New Jersey on reasonable notice. All of the information described herein will be provided under a mutually agreeable confidentiality agreement.

In addition, the Company will submit the following reports to the Board, the Director of the Division of Energy and Rate Counsel:

- (i) a quarterly report detailing activities that occurred in accordance with Section 2.5 of the Gas Purchase and Sale Agreement. This report shall include Sequent's initial price quote, any price quotes obtained from others and whether Sequent exercised its right to match the lowest quote or the Company purchased quantities from third parties;
- (ii) a quarterly report detailing any costs incurred by Elizabethtown as a result of Sequent having to liquidate supply contracts or obtain replacement supplies as a result of its inability to purchase supplies at certain secondary points identified in the Asset Management Agreement for subsequent delivery to Elizabethtown; and
- (iii) no later than September 30, 2016, an analysis prepared by a third party of the expected asset optimization margin that could have been extracted from Elizabethtown's natural gas capacity and supply portfolio during the years ended March 31, 2015 and March 31, 2016.

**E. Payment Of The Fee.** The \$4,250,000.00 minimum annual fee will be credited to Elizabethtown's BGSS-P clause in equal quarterly installments on the last day of each quarter – June 30, September 30, December 31, and March 31. Shared margins/credits, if any, in any annual period will be credited to Elizabethtown's BGSS-P clause twice a year no later than September 30 and March 31. Each year in the Company's Annual BGSS-P filing with the Board, Elizabethtown will advise Staff and Rate Counsel of the results obtained by Sequent during the previous BGSS-P annual period.

**F. Modification To The Elizabethtown – Sequent Agreements.** Section 6 of the *pro forma* Asset Management Agreement ("AMA") between Elizabethtown and Sequent provides that those entities may agree to modify the AMA to include new "Assets" or to remove, terminate or modify those Assets and to make changes to the AMA to reflect the changes in

Assets.<sup>1</sup> The AMA provides that such changes are subject to the approval of the Board. In lieu of requiring Elizabethtown to obtain formal Board approval for such changes in Assets, Elizabethtown will, if it seeks to change the Assets subject to the AMA, file a letter both electronically and in hard copy with the Board, the Director of the Division of Energy and Rate Counsel<sup>2</sup> describing the changes in Assets, any further changes to the AMA to reflect the changes in Assets and any supporting documentation associated with the change. The Company's letter will state that the changes to the Assets and all associated changes to the AMA will become effective within sixty days unless an objection to the change is made by Staff or Rate Counsel. If an objection is raised, then the Parties will meet to resolve it. If the matter cannot be resolved informally, it will be submitted to the Board for resolution. No change in the AMA will become effective until the later of (i) the sixty day notice period if no objection is raised by Staff or Rate Counsel, or (ii) the date on which Staff's and/or Rate Counsel's written objection is resolved by either a written agreement of the Parties or an order of the Board. The Parties recognize that approval of a change in the AMA does not, by itself, constitute approval of any change in Elizabethtown's rates arising from a change in the AMA.

**G. Renewal.** Elizabethtown shall make a filing with the Board concerning its asset management and gas supply arrangements on or before April 1, 2018. The Company may propose to extend the Sequent arrangement or consider some other asset management/gas supply arrangement. All Parties reserve the right to take any position concerning any proposal made by Elizabethtown in such filing.

**H. Entirety Of Stipulation.** This Stipulation is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and

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<sup>1</sup> Such changes may include changes in the price indices applicable under the Asset Management Agreement.

<sup>2</sup> Such letter will be served on the representatives of Staff and Rate Counsel on the service list of these proceedings.

approved in its entirety by the Board, then 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 its Order in this matter, 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.

I. **Binding Effect.** 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 this Stipulation to be binding on them for all purposes herein.


J. **General Reservation.** It is specifically understood and agreed that this Stipulation represents a negotiated agreement and, except as otherwise expressly provided for herein, is intended to be binding only as to the matters specifically addressed herein. Except as expressly provided herein, Elizabethtown, Staff and Rate Counsel shall not be deemed to have applied, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement reflected herein. This Stipulation shall not be cited as precedent except for the purpose of enforcing its terms.

WHEREFORE, the Parties hereto do respectfully submit this Stipulation to the Board and request the Board to issue a Decision and Order approving this Stipulation in its entirety in accordance with the terms hereof.

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

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

By:   
Mary Patricia Kesfe  
Vice President, Regulatory Affairs

By:   
Felicia Thomas-Frith  
Deputy Rate Counsel

**JOHN JAY HOFFMAN  
ACTING ATTORNEY GENERAL OF NEW JERSEY  
Attorney for the Staff of the New Jersey Board of Public Utilities**

By:   
Alex Moreau  
Deputy Attorney General

Dated: March 10, 2014



**REDACTED**

# **Appendix A**

PRELIMINARY PUBLIC VERSION - APPENDIX B

Calculations of Payments to Elizabethtown at Various Levels of Sharable Margins and Credits

		Total Annual Sharable Margins											
		\$0	\$2,000,000	\$5,000,000	\$8,000,000	\$10,000,000	\$12,000,000	\$14,000,000	\$16,000,000	\$18,000,000	\$18,670,000	\$22,000,000	\$24,500,000
Fixed Fee	<u>\$4,250,000</u>	\$0	\$4,250,000	\$4,250,000	\$4,250,000	\$4,250,000	\$4,250,000	\$4,250,000	\$4,250,000	\$4,250,000	\$4,250,000	\$4,250,000	\$4,250,000
1st Tier	<u>\$3,202,000</u>	\$0	\$0	\$225,000	\$960,600	\$960,600	\$960,600	\$960,600	\$960,600	\$960,600	\$960,600	\$960,600	\$960,600
2nd Tier	<u>\$6,285,000</u>	\$0	\$0	\$0	\$389,080	\$1,808,080	\$3,229,080	\$4,448,150	\$4,448,150	\$4,448,150	\$4,448,150	\$4,448,150	\$4,448,150
3rd Tier	<u>\$4,950,000</u>	\$0	\$0	\$0	\$0	\$0	\$0	\$141,500	\$1,141,500	\$2,141,500	\$2,475,000	\$2,475,000	\$2,475,000
4th Tier	<u>\$18,567,000</u>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,950	\$2,166,450	\$3,791,450
Total Dollars to ETG Customers		\$4,250,000	\$4,250,000	\$4,475,000	\$5,599,580	\$7,019,680	\$8,439,680	\$9,800,250	\$10,890,250	\$11,800,250	\$12,135,700	\$14,300,200	\$15,925,260
% to ETG Customers				89.50%	70.00%	70.20%	70.33%	70.00%	67.50%	65.56%	65.00%	65.00%	65.00%
Asset Mgr Gain / (Loss):		(\$4,250,000)	(\$2,250,000)	\$625,000	\$2,466,320	\$2,980,320	\$3,560,320	\$4,188,750	\$5,199,750	\$6,199,750	\$6,534,300	\$7,699,800	\$8,574,800

**REDACTED**

# **Appendix C**