



Elizabethtown Gas™

An *AGL Resources* Company

300 Connell Drive, Suite 3000  
Berkeley Heights, NJ 07922

908 289 5000 phone  
www.elizabethtowngas.com

*Via FedEx & Electronic Mail*

August 4, 2011

Kristi Izzo, Secretary  
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

**Re: *In The Matter Of The Petition Of Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas To (1) Revise Its Weather Normalization Clause Rate; (2) Revise the Clean Energy Program Component Of Its Societal Benefits Charge Rate; and (3) Revise Its On-System Margin Sharing Credit - BPU Docket No. GR***

Dear Secretary Izzo:

Enclosed for filing are an original and ten copies of the Petition of Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas (“Elizabethtown” or “Company”) to the Board of Public Utilities (“BPU” or “Board”) to (1) revise the Company's Weather Normalization Clause (“WNC”) rate, (2) revise its Clean Energy Program (“CEP”) component of the Societal Benefits Charge (“SBC”) rate, and (3) revise its On-System Margin Sharing Credit (“OSMC”). Attached to and made part of the Petition are the testimony and supporting schedules of Company witnesses Thomas Kaufmann, marked as Exhibit P-1.

**The WNC Rate**

The Company proposes a WNC rate of \$0.0127 per therm applicable to the Company's Residential Delivery, Small General and General Delivery Classifications for the period October 1, 2011 through September 30, 2012. The proposed WNC rate of \$0.0127 per therm reflects the actual results for the 2010 through 2011 Winter Period and prior period deficiency balances associated with the 2006-2007, 2007-2008, 2008-2009 and 2009-2010 Winter Periods. The proposed WNC rate reflects underrecovered balances from

prior periods, as well as the current year’s revenue excess, which produced a credit to customers, resulting in a decrease in the total WNC deficiency balance. The current year’s revenue excess reflects certain weather pattern anomalies that occurred during the 2010-2011 winter heating season as addressed in Mr. Kaufmann’s testimony.

**The CEP Component of the SBC Rate**

Elizabethtown's SBC was approved by the Board by an Order dated March 30, 2001 in BPU Docket No. GX99030121, *et al.* and November 21, 2001 in Docket No. EX00020091, *et al.* The SBC currently consists of four components: (1) the Remediation Adjustment Clause (“RAC”) component, (2) the New Jersey Clean Energy Program (“CEP”) component, (3) the USF (“USF”) component, and (4) the Lifeline component. In this Petition, the Company is only proposing a change to the CEP rate component of the SBC. Petitioner will subsequently be filing a separate petition to reconcile its RAC rate. The Company’s July 1, 2011 filing to change its USF and Lifeline rates effective October 1, 2011 is pending in BPU Docket No. EX00020091.

The Company is proposing to increase its CEP component of its SBC rate from \$0.0158 per therm to \$0.0641 per therm effective October 1, 2011. This proposed CEP rate is designed to enable Elizabethtown to recover approximately \$28.5 million during the period ending September 30, 2012. The proposed change in the CEP rate will produce an increase to Elizabethtown’s currently effective SBC rate from \$0.0332 per therm to \$0.0815 per therm, effective October 1, 2011. A comparison of the components of the SBC reflecting the current components and the proposed CEP rate are as follows:

	<b><u>Current Rate</u></b>	<b><u>Proposed Rate</u></b>
<b>CEP</b>	\$0.0158 per therm	\$0.0641 per therm
<b>RAC</b>	(\$0.0020) per therm	(\$0.0020) per therm
<b>USF</b>	\$0.0142 per therm	\$0.0142 per therm
<b><u>Lifeline</u></b>	<u>\$0.0052 per therm</u>	<u>\$0.0052 per therm</u>
<b>TOTAL</b>	\$0.0332 per therm	\$0.0815 per therm

**The OSMC Rate**

Elizabethtown's OSMC is the rate mechanism by which certain margins from on-system, non-firm sales and transportation services are flowed back to the Company's firm sales and residential transportation

customers. The OSMC was established pursuant to the Board's Order dated March 30, 2001 in BPU Docket No. GX99030121, *et al.* In accordance with the mechanism approved by the Board in Docket No. GX99030121, *et al.*, Elizabethtown proposes an OSMC of (\$0.0188) per therm effective October 1, 2011. This proposed OSMC reflects an increase of (\$0.0016) per therm from the current credit of (\$0.0172) per therm. In addition to the proposed rate change, the Company makes note here that it has sought approval in its June 1, 2011 BGSS-P filing in BPU Docket No. GR11060330 to include the OSMC as a component of the BGSS in its 2012 filing to be consistent with the manner in which other New Jersey gas utilities reflect similar credits. The rate would continue to be applicable to the same customers, including residential transportation customers. The tariff sheets reflecting how these changes would be effectuated in that filing are attached to Mr. Kaufmann's testimony as Tariff Schedule TK-2.

**Total Customer Impact**

The proposed adjustments to the WNC, CEP-SBC and OSMC rates would increase the monthly bill of a typical residential heating customer using 100 therms by \$5.29, from \$124.93 to \$130.22, or an increase of 4.2%, as compared to the Company's currently effective rates. Please contact the undersigned at (908) 771-8220 or Thomas Kaufmann at (908) 771-8225 if you have questions or require further information.

Yours truly,

*/s/ Mary Patricia Keefe*

Mary Patricia Keefe, Esq.  
Vice President, Regulatory Affairs

cc: Lee A. Solomon, President  
Nicholas V. Asselta, Commissioner  
Joseph L. Fiordaliso, Commissioner  
Jeanne M. Fox, Commissioner  
Richard J. Jackson, Executive Director  
Sheila DeLucia, Division of Energy  
Jerome May, Director, Division of Energy  
Stefanie A. Brand, Esq. Director, Rate Counsel  
Alex Moreau, DAG  
Deborah M. Franco, Esq.  
Service List (*Electronically*)

**IN THE MATTER OF THE PETITION OF  
PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS  
TO (1) REVISE ITS WEATHER NORMALIZATION CLAUSE RATE  
(2) REVISE THE CLEAN ENERGY COMPONENT OF ITS SOCIETAL BENEFITS CHARGE  
RATE (3) REVISE ITS ON-SYSTEM MARGIN SHARING CREDIT**

**SERVICE LIST**

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**Dept. of Law & Public Safety**  
Division of Law  
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P.O. Box 45029  
Newark, NJ 07101

Kenneth T. Maloney  
**Cullen & Dykman**  
1101 14<sup>th</sup> Street NW, Suite 550  
Washington, DC 20005

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

-----X  
**In The Matter Of The Petition Of Pivotal Utility** :  
**Holdings, Inc. d/b/a Elizabethtown Gas To** : **Docket No. GR**  
**(1) Revise Its Weather Normalization Clause Rate** :  
**(2) Revise The Clean Energy Program Component** :  
**Of Its Societal Benefits Charge Rate; and (3) Revise** : **SUMMARY SHEET**  
**Its On-System Margin Sharing Credit** :  
-----X

This Petition presents the request of Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas (“Petitioner”) that the Board of Public Utilities (“Board”) accept the filing of Petitioner’s revised Weather Normalization Clause (“WNC”), Societal Benefits Charge (“SBC”), and On-System Margin Sharing Credit (“OSMC”) rates. The Petition proposes that (1) Petitioner’s WNC rate be increased from \$0.0065 per therm to \$0.0127 per therm effective October 1, 2011, (2) Petitioner’s SBC rate be increased from \$0.0332 per therm to \$0.0815 per therm effective October 1, 2011, and (3) Petitioner’s On-System Margin Sharing Credit be increased from (\$0.0172) per therm to (\$0.0188) per therm effective October 1, 2011. The proposed filing would increase the monthly bill of a typical residential heating customer using 100 therms by \$5.29 or 4.2%.

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

-----X  
**In The Matter Of The Petition Of Pivotal Utility** :  
**Holdings, Inc. d/b/a Elizabethtown Gas To** : **Docket No. GR**  
**(1) Revise Its Weather Normalization Clause Rate;** :  
**(2) Revise The Clean Energy Program Component Of** :  
**Its Societal Benefits Charge Rate; and (3) Revise Its** :  
**On-System Margin Sharing Credit** : **PETITION**  
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**To The Honorable Board of Public Utilities:**

Petitioner, Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas (“Petitioner”), a public utility corporation duly organized under the laws of the State of New Jersey subject to the jurisdiction of the Board of Public Utilities (“Board”), respectfully states:

1. Petitioner’s principal business office is located at 300 Connell Drive, Suite 3000, Berkeley Heights, New Jersey 07922.
2. Communications and correspondence concerning these proceedings should be sent as follows:

Mary Patricia Keefe, Esq.  
Vice President, Regulatory Affairs  
Pivotal Utility Holdings, Inc.  
d/b/a Elizabethtown Gas  
300 Connell Drive, Suite 3000  
Berkeley Heights, New Jersey 07922  
Tel. No. (908) 771-8220  
Fax No. (908) 771-8217  
mkeefe@aglresources.com

Elizabeth Wade, Esq.  
AGL Resources, Inc.  
Ten Peachtree Place  
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ewade@aglresources.com

Kenneth T. Maloney  
Cullen and Dykman LLP  
1101 Fourteenth Street, N.W.  
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Washington, DC 20005  
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Fax No. (202) 457-1405  
kmaloney@cullydyk.com

Deborah M. Franco, Esq.  
Cullen and Dykman LLP  
Garden City Center  
100 Quentin Roosevelt Boulevard  
Garden City, NY 11530  
Tel. No. (516) 357-3878  
Fax No. (516) 357-3792  
dfranco@cullydyk.com

3. Petitioner is engaged in the business of transmission and distribution of natural and mixed gas to approximately 275,000 customers within its service territory located principally in Hunterdon, Mercer, Middlesex, Morris, Sussex, Union and Warren Counties.

4. The purpose of this filing is to revise the rates associated with Petitioner's Weather Normalization Clause ("WNC"), Clean Energy Program ("CEP") component of the Societal Benefits Charge ("SBC"), and On-System Margin Sharing Credit ("OSMC"), and to reconcile costs and cost recoveries associated with each clause for the periods in which the respective clauses are applicable.

5. Annexed hereto and made a part of this Petition is Exhibit P-1 which Petitioner suggests be marked as indicated. Exhibit P-1 is the testimony and supporting schedules of Thomas Kaufmann, Manager of Rates and Tariffs for Petitioner. The following Schedules, described in Mr. Kaufmann's testimony, are attached and referred to in Exhibit P-1:

- a. Tariff Schedule TK-1 and Tariff Schedule TK-2;
- b. Forecast Schedule TK-1;
- c. WNC Schedule TK-1 through WNC Schedule TK-5;
- d. CEP Schedule TK-1 through CEP Schedule TK-5; and
- e. OSMC Schedule TK-1 through OSMC Schedule TK-4.

**Weather Normalization Clause**

6. Pursuant to the WNC contained in Petitioner's tariff as modified and approved by the Board by Order dated November 22, 2002 in Docket No. GR02040245, Petitioner submits this filing concerning its WNC rate for the period October 1, 2011 through May 31, 2012 ("2012 Winter Period"). Petitioner's revised WNC rate reflects the weather experienced in Petitioner's service territory during the period October 1, 2010 through May 31, 2011 ("2011 Winter Period") as well as the cumulative prior period revenue deficiency balances associated with the

2006-2007, 2007-2008, 2008-2009 and 2009-2010 Winter Periods, discussed more fully below. The 2007 WNC/SBC filing (Docket No. GRO7080645) covering the 2006-2007 Winter Period, the 2008 WNC/SBC filing (Docket No. GR08090836) concerning the 2007-2008 Winter Period, the 2009 WNC/SBC filing (Docket No. GR09080651) covering the 2008 – 2009 Winter Period, and the 2010 WNC/SBC filing (Docket No. GR10070510) concerning the 2009 – 2010 Winter Period are pending before the Board.

7. As discussed in Mr. Kaufmann’s testimony, Petitioner has updated the WNC calculation for the factors approved in the Company’s most recent base rate proceeding pursuant to the Board’s December 17, 2009 Order in Docket No. GR09030195 to derive the normalized consumption in therms per degree day.

8. Petitioner proposes a WNC rate of \$0.0127 per therm applicable to the Petitioner’s Residential Delivery Service (“RDS”), Small General Service (“SGS”) and General Delivery Service (“GDS”) Classifications. The proposed WNC rate is based on the cumulative revenue balances associated with the 2006-2007, 2007-2008, 2008-2009 and 2009-2010 Winter Periods, which total \$4,338,398. It also reflects the fact that the 2011 Winter Period was 9 degree days or 0.2% warmer than normal as further discussed in Mr. Kaufmann’s testimony. The cumulative revenue deficiency balance combined with this year’s WNC revenue excess balance at May 31, 2011 of \$669,894 results in a total deficiency balance of \$3,668,504, to be recovered through the proposed WNC rate. The proposed WNC rate of \$0.0127 per therm is an increase of \$0.0062 per therm in the existing WNC rate of \$0.0065 per therm, which was approved by the Board in its July 30, 2008 Order in BPU Docket No. GR05080730 and GR06080621 (“July 30 Order”) effective October 1, 2008. The proposed WNC rate would result in an increase of \$11.10 to a typical residential heat customer and \$2.46 to a typical residential non-heat customer using 874 and 193 therms, respectively, during the 2012 Winter Period.

### **The CEP Component of the SBC Rate**

**9.** Petitioner's SBC was approved by the Board by Orders dated March 30, 2001 in BPU Docket Nos. GX99030121, *et al.*, and November 21, 2001 in Docket Nos. EX00020091, *et al.* The SBC consists of four components: (1) the Remediation Adjustment Clause ("RAC") component, (2) the New Jersey Clean Energy Program ("CEP") component, (3) the Universal Service Fund ("USF") component, and (4) the Lifeline component. The currently effective RAC and CEP components of the Petitioner's current SBC rate of \$0.0332 per therm were approved by the July 30 Order. The currently effective USF and Lifeline components of the SBC rate were approved in a Board Order dated October 20, 2010 in Docket No. GR10060436.

**10.** Petitioner is not proposing changes to the RAC, USF and Lifeline rates in this filing. In this Petition, the Company is only proposing a change to the CEP rate component of the SBC. Petitioner will file a separate petition to reconcile its RAC rate. The Company's July 1, 2011 filing to change its USF and Lifeline rates effective October 1, 2011 is pending in BPU Docket No. EX00020091.

**11.** In accordance with the Board's Orders in Docket Nos. EX99050347, *et al.* and GX99030121, *et al.*, Petitioner is making this filing to recover net costs incurred to provide Board-approved CEP programs for the period ending June 30, 2011 and projected costs for the period ending June 30, 2012 totaling \$28,496,789. As discussed in Mr. Kaufmann's testimony, Petitioner incurred \$2,342,955 of CEP costs during the period beginning July 1, 2010 and ending June 30, 2011. Petitioner also made payments to the CEP "fiscal agent" of \$9,434,085 during this period. In accordance with the Board's September 30, 2008 Order in Docket No. EO07030203, which established the statewide funding levels for CEP programs for 2009 – 2012,

Petitioner has been allocated \$14,950,013 of CEP funding responsibility for the twelve months ending June 30, 2012. Based on this level of spending, plus certain additional adjustments discussed by Mr. Kaufmann, Petitioner is proposing a CEP component of \$0.0641 per therm compared to its current CEP component of \$0.0158 per therm, per the rate in the Company's filing of August 29, 2006 approved on July 30, 2008. As discussed in Mr. Kaufmann's testimony, this rate change is primarily due to an increase in Petitioner's required CEP payments to the State program and the carryover of prior period CEP balances. As also explained by Mr. Kaufmann, Petitioner's CEP costs have now been allocated to a smaller base of customers than was previously the case due to the reduction in Petitioner's projected applicable billable therm base resulting from the exclusion from the SBC for gas used to generate electricity for wholesale sales per the Long-Term Capacity Agreement Pilot Program ("LCAPP"), P.L. 2011, c.9 enacted on January 28, 2011.

12. The proposed change in the CEP rate will produce an increase to Elizabethtown's currently effective SBC rate from \$0.0332 per therm to \$0.0815 per therm, effective October 1, 2011. A comparison of the components of the SBC reflecting the current components and the proposed CEP rate are as follows:

	<u>Current Rate</u>	<u>Proposed Rate</u>
<b>CEP</b>	\$0.0158 per therm	\$0.0641 per therm
<b>RAC</b>	(\$0.0020) per therm	(\$0.0020) per therm
<b>USF</b>	\$0.0142 per therm	\$0.0142 per therm
<b>Lifeline</b>	\$0.0052 per therm	\$0.0052 per therm
<b>TOTAL</b>	\$0.0332 per therm	\$0.0815 per therm

**On-System Margin Sharing Credit**

13. In accordance with the mechanisms approved by the Board in Docket Nos. GT8602131, GM9009049, TC94030057, GR9608574, *et. al.*, GR97070552, *et. al.*, and Docket

Nos. GX99030121, *et. al.*, margins from certain on-system sales and transportation services are shared between firm sales customers, certain firm transportation customers and Petitioner on an 80%/20% basis through a credit, the OSMC, to the transportation rates charged to firm sales and Service Classification RDS customers. Petitioner proposes to increase its OSMC credit effective October 1, 2011 from the current level of (\$0.0172) per therm to (\$0.0188) per therm. The tariff sheets reflecting these changes are attached as Tariff Schedule TK-1 included with Mr. Kaufmann's testimony. In addition to the proposed rate change, the Company is also presenting, the tariff sheets in Tariff Schedule TK-2, in redline only, to show how the proposal sought for approval in its June 1, 2011 BGSS-P filing in BPU Docket No. GR11060330 to include the OSMC as a component of the BGSS in its 2012 filing would be effectuated. This change was proposed to be consistent with the manner in which other New Jersey gas utilities apply such a credit. The rate would continue to be applicable to the same customers, including residential transportation customers.

#### **Overall Impact**

14. The overall impact of Petitioner's filing in this proceeding is a proposed increase in the monthly bill of a typical residential heating customer using 100 therms by \$5.29, from \$124.93 to \$130.22; or an increase of 4.2%.

#### **Miscellaneous**

15. Petitioner is serving notice and a copy of this Petition, together with a copy of the exhibit and schedules annexed hereto upon Stefanie A. Brand, Director, Division of Rate Counsel ("Rate Counsel"), 31 Clinton Street, Newark, New Jersey, upon the service list compiled in Petitioner's last WNC and SBC related proceedings, and as outlined in *N.J.A.C.* 14:1-5.12. Petitioner is attaching a form of public notice to this filing for review by the Board's Staff and Rate Counsel.

**WHEREFORE**, Petitioner respectfully requests that the Board (1) accept Petitioner's filing, (2) allow the proposed WNC, SBC, and OSMC rates and associated proposals to become effective October 1, 2011, and (3) grant such other relief as the Board may deem just and proper.

Respectfully submitted,

*/s/ Mary Patricia Keefe*

By: \_\_\_\_\_

Mary Patricia Keefe, Esq.  
Vice President, Regulatory Affairs  
Pivotal Utility Holdings, Inc.  
d/b/a Elizabethtown Gas  
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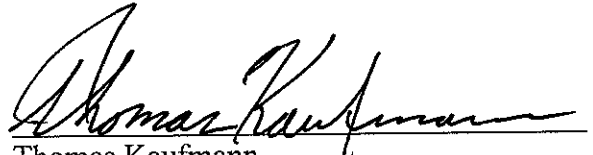
Date: August 4, 2011

STATE OF NEW JERSEY        )  
  )  
COUNTY OF UNION            )        ss:

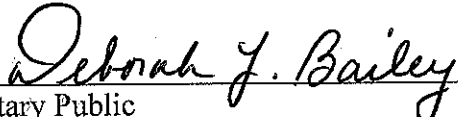
I, Thomas Kaufmann, being duly sworn according to law, upon his oath, deposes and says:

1. I am the Manager of Rates and Tariffs of the Petitioner in the foregoing Petition and I am authorized to make this Affidavit on behalf of the Petitioner.

2. The statements made in the foregoing Petition and the exhibit and schedules submitted therewith correctly portray the information set forth therein, to the best of my knowledge, information and belief.

  
Thomas Kaufmann  
Manager, Rates and Tariffs

Sworn to and subscribed to before me this  
4<sup>th</sup> day of August, 2011.

  
Notary Public

**DEBORAH Y. BAILEY**  
**NOTARY PUBLIC OF NEW JERSEY**  
**My Commission Expires Sept. 8, 2015**

**PIVOTAL UTILITY HOLDINGS, INC. D/B/A ELIZABETHTOWN GAS**  
**NOTICE OF PUBLIC HEARINGS**

TO OUR CUSTOMERS:

On August 4, 2011, Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas (“the Company”) filed a Petition with the New Jersey Board of Public Utilities (“Board”) in Docket No. \_\_\_\_\_ to revise its Weather Normalization Clause (“WNC”), its Societal Benefit Charge (“SBC”), and its On-System Margin Sharing Credit (“OSMC”). The Company has petitioned the Board to establish a WNC rate of \$0.0127 per therm, an SBC rate of \$0.0815 per therm, and an OSMC rate of (\$0.0188) per therm to be effective October 1, 2011. A comparison of the current and proposed rates is as follows:

	<u><b>Current Rate</b></u> <u><b>Per Therm</b></u>	<u><b>Proposed Rate</b></u> <u><b>Per Therm</b></u>
<b>WNC</b>	\$0.0065	\$0.0127
<b>SBC</b>	\$0.0332	\$0.0815
<b><u>OSMC</u></b>	<u>(\$0.0172)</u>	<u>(\$0.0188)</u>
<b>Total</b>	<b>\$0.0225</b>	<b>\$0.0754</b>

The proposed rates are subject to Board approval and may be higher or lower depending on the Board's final determination and the date on which such rates are made effective. The combined effect of the Company's filing to a typical residential customer using an average of 100 therms per month is illustrated below:

<u>Consumption in</u> <u>Therms</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>WNC, SBC &amp; OSMC</u> <u>Change in Bill</u>	<u>Percent Change</u>
100	\$124.93	\$130.22	\$5.29	4.2%

Any assistance required by Customers in ascertaining the impact of the proposed rate increase will be provided by the Company on request.

The Board has the statutory authority to establish the aforementioned rates at levels it finds just and reasonable. Therefore, the Board may establish these rates at levels other than those proposed by the Company. Copies of the Petition are available for inspection at the Company offices located at 300 Connell Drive, Suite 3000, Berkeley Heights, New Jersey, online at Elizabethtown’s website: [www.elizabethtowngas.com](http://www.elizabethtowngas.com), and at the Board of Public Utilities, 44 South Clinton Avenue, 9th Floor, Trenton, New Jersey.

**PLEASE TAKE NOTICE** that Public Hearings have been scheduled on the above mentioned Petition at the following times and places:

Date and Time.  
 Rahway Municipal Council, Court Chambers, City Hall Plaza, Rahway, New Jersey 07065

Date and Time  
 Hunterdon County Complex, Route 12, Building #1, Flemington, New Jersey 08822

The public is invited to attend and interested persons will be permitted to testify and/or make a statement of their views on the proposed increases. In order to encourage full participation in this opportunity for public comment, please submit requests for needed accommodations, including interpreter, listening devices and/or mobility assistance, 48 hours prior to the hearing. In addition, members of the public may submit written comments concerning the Petition to the Board regardless of whether they attend the hearing by addressing them to: Kristi Izzo, Secretary, Board of Public Utilities, 44 South Clinton Avenue, 9th Floor, P.O. Box 350, Trenton, New Jersey 08625-0350.

Hearings will continue, if necessary, on such additional dates and at such locations as the Office of Administrative Law may designate in order to ensure that all interested persons may be heard.

**Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas**  
**Donald Carter – Vice President of Operations**

PIVOTAL UTILITY HOLDINGS, INC.  
d/b/a ELIZABETHTOWN GAS  
DIRECT TESTIMONY OF  
THOMAS KAUFMANN

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Thomas Kaufmann. My business address is 300  
3 Connell Drive, Suite 3000, Berkeley Heights, New Jersey  
4 07922.

5 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

6 A. I am employed by Pivotal Utility Holdings, Inc. d/b/a  
7 Elizabethtown Gas ("Elizabethtown" or "Company") as  
8 Manager of Rates and Tariffs.

9 Q. WHAT IS THE SCOPE OF YOUR DUTIES AT ELIZABETHTOWN?

10 A. I am responsible for designing and developing rates and  
11 rate schedules for regulatory filings with the New Jersey  
12 Board of Public Utilities ("Board") and internal  
13 management purposes. I also oversee daily rate  
14 department functions, including tariff administration,  
15 monthly parity pricing, competitive analyses and  
16 preparation of management reports.

17 Q. PLEASE DESCRIBE YOUR PROFESSIONAL QUALIFICATIONS AND  
18 BUSINESS EXPERIENCE.

19 A. In June 1977, I graduated from Rutgers University,  
20 Newark, N.J. with a Bachelor of Arts degree in Business  
21 Administration, majoring in accounting and economics. In

1 July 1979, I graduated from Fairleigh Dickinson  
2 University, Madison, N.J. with a Masters of Business  
3 Administration, majoring in finance.

4 My professional responsibilities have encompassed  
5 financial analysis, accounting, planning, and pricing in  
6 manufacturing and energy services companies in both  
7 regulated and unregulated industries. In 1977, I was  
8 employed by Allied Chemical Corp. as a staff accountant.  
9 In 1980, I was employed by Celanese Corp. as a financial  
10 analyst. In 1981, I was employed by Suburban Propane as  
11 a Strategic Planning Analyst, promoted to Manager of  
12 Rates and Pricing in 1986 and to Director of Acquisitions  
13 and Business Analysis in 1990. In 1993, I was employed  
14 by Concurrent Computer as a Manager, Pricing  
15 Administration. In 1996, I joined NUI Corporation  
16 ("NUI") as a Rate Analyst, was promoted to Manager of  
17 Regulatory Support in August 1997 and Manager of  
18 Regulatory Affairs in February 1998, and named Manager of  
19 Rates and Tariffs in July 1998. NUI Corporation was  
20 acquired by AGL Resources, Inc. ("AGL") in November 2004.  
21 AGL is now the parent company of Elizabethtown.

22 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

23 **A.** First, I will discuss the derivation of the Weather  
24 Normalization Clause ("WNC") rate to be assessed to the

1 Company's customer classes subject to the WNC during the  
2 eight month period October 1, 2011 through May 31, 2012.  
3 In addition, I will discuss proposed changes to the  
4 monthly Heating Degree Day Consumption Factors, which  
5 will be used in the determination of the 2011-2012 WNC  
6 rate.

7 I will also support Elizabethtown's proposed  
8 revisions to its Societal Benefits Charge ("SBC") rate  
9 and its On-System Margin Sharing Credit ("OSMC") for the  
10 2012 Recovery Year, which is the twelve month period  
11 ending September 30, 2012.

12 **Q. WHAT EFFECTIVE DATE DOES THE COMPANY PROPOSE IN THIS**  
13 **FILING?**

14 **A.** The Company is proposing that the rates and associated  
15 changes proposed in this filing take effect on October 1,  
16 2011.

17 **Q. WHEN WERE THE COMPANY'S WNC, SBC AND OSMC RATES LAST**  
18 **REVISED?**

19 **A.** These rates were last revised by a July 30, 2008 Board  
20 Order ("July 30 Order") in Docket Nos. GR05080730 and  
21 GR06080621. The July 30 Order resolved the Company's  
22 then - pending 2005 and 2006 annual WNC/SBC filings.

23 **Q. WHAT IS THE STATUS OF THE 2007, 2008, 2009 and 2010**  
24 **WNC/SBC ANNUAL RECONCILIATION FILINGS?**

1 **A.** The 2007 WNC/SBC filing (Docket No. GR07080645 covering  
2 the 2006-2007 Winter Period, the 2008 WNC/SBC filing  
3 (Docket No. GR08090836) covering the 2007-2008 Winter  
4 Period, the 2009 WNC/SBC filing (Docket No. GR09080651)  
5 covering the 2008 - 2009 Winter Period, and the 2010  
6 WNC/SBC filing (Docket No. GR10070510) covering the 2009-  
7 2010 Winter Period remain pending before the Board.

8 **Q. DOES YOUR TESTIMONY INCLUDE ANY ILLUSTRATIVE SCHEDULES?**

9 **A.** Yes. My testimony includes schedules and proposed tariff  
10 sheets that were prepared under my direction and  
11 supervision. The schedules are as follows:

12 **(1) Tariff Schedule TK-1** consists of revised tariff  
13 sheets in redlined and clean form which reflect the  
14 revised WNC and associated WNC monthly Degree Day  
15 Consumption Factors, SBC, and OSMC rates;

16 **(2) Tariff Schedule TK-2** consists of Tariff Sheets, in  
17 redline only, being provided to show how the  
18 proposal, sought for approval in its June 1, 2011  
19 BGSS-P filing in BPU Docket No. GR11060330, to  
20 include the OSMC, at a rate to be determined when  
21 filed, as a BGSS component in the 2012 BGSS filing,  
22 would be effectuated.

23 **(3) Forecast Schedule TK-1** provides the level of  
24 forecast sales and services for the 2012 Recovery

1 Year, which was utilized in the calculation of the  
2 proposed WNC, SBC and OSMC rates.

3 (4) **WNC Schedule TK-1** sets forth the calculation of the  
4 proposed WNC rate.

5 (5) **WNC Schedule TK-2** compares the actual calendar month  
6 degree days to the Normal Calendar Month Degree Days  
7 ("NCMDD") and presents the calculation of the excess  
8 in WNC Margin Revenues for the 2010/2011 Winter  
9 Period.

10 (6) **WNC Schedule TK-3** reflects the calculation of the  
11 prior year's WNC balance.

12 (7) **WNC Schedule TK-4** presents the development of the  
13 proposed monthly Degree Day Consumption Factors to  
14 be used for the 2011-2012 WNC period.

15 (8) **WNC Schedule TK-5** sets forth the WNC earnings  
16 calculation.

17 (9) **CEP Schedule TK-1** sets forth the calculation of the  
18 proposed Clean Energy Program ("CEP") rate for the  
19 2012 Recovery Year.

20 (10) **CEP Schedule TK-2** sets forth the calculation of  
21 carrying costs on the CEP balance for the twelve  
22 months ended June 30, 2011.

23 (11) **CEP Schedule TK-3** sets forth CEP Fiscal Agent  
24 Payments for the twelve months ended June 30, 2011.

1           **(12) CEP Schedule TK-4** sets forth CEP recoveries for the  
2           twelve months ended June 30, 2011.

3           **(13) CEP Schedule TK-5** sets forth the projected total  
4           amounts that the Company will either spend on the  
5           CEP or that will be paid to the fiscal agent during  
6           the twelve month period ended June 30, 2012,  
7           pursuant to the spending levels authorized by the  
8           Board in its September 9, 2008 Order in Docket No.  
9           EO07030203, *et al.*

10          **(14) OSMC Schedule TK-1** presents a calculation of the  
11          proposed OSMC rate per therm for the 2012 recovery  
12          year.

13          **(15) OSMC Schedule TK-2** presents the projected customer  
14          portion of the margin sharing credits forecast to be  
15          generated during the twelve month period ended June  
16          30, 2012.

17          **(16) OSMC Schedule TK-3** sets forth the balance to be  
18          trued-up for the actual margin sharing credits  
19          generated versus credits disbursed to customers for  
20          the twelve month period ended June 30, 2011.

21          **(17) OSMC Schedule TK-4** presents the actual OSMC  
22          disbursements to sales customers taking BGSS service  
23          and residential transportation customers for the  
24          twelve month period ended June 30, 2011.

REVENUE FORECAST

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**Q. WHAT IS THE METHODOLOGY USED TO PROJECT FIRM SALES AND SERVICES FOR THE RECOVERY YEAR IN ORDER TO DERIVE THE COMPANY'S PROPOSED WNC, SBC AND OSMC RATES?**

**A.** The methodology used is the same as that used in the demand forecast which supports Elizabethtown's Basic Gas Supply Service ("BGSS") rates. A summary of the forecast of normalized sales and services is set forth on Forecast Schedule TK-1.

**Q. WHAT PERIOD IS COVERED BY THE DEMAND FORECAST?**

**A.** The gas sales demand forecast as set forth on Forecast Schedule TK-1 for the SBC is for the twelve month period ended September 2012, a period of 12 months, also referred to as the 2012 Recovery Year. The WNC sales demand forecast, which is not applicable to all service classes, is for the eight month period October 2011 through May 2012.

**Q. HOW WAS THE DEMAND FORECAST REFLECTED ON FORECAST SCHEDULE TK-1 DEVELOPED?**

**A.** The demand forecast reflected on this schedule consists of both firm and non-firm gas demand. Classes of service which are characterized as firm include Residential Delivery Service (RDS), Small General Service (SGS), General Delivery Service (GDS), Large Volume Demand

1 (LVD), Electric Generation Service Firm (EGF) and  
2 Unmetered Outdoor Gas Lighting (GLS). Of the firm demand  
3 classes, RDS, SGS, and GDS are considered to be  
4 temperature sensitive and are forecast differently than  
5 the LVD, EGF, and GLS classes, which are characterized by  
6 a more levelized consumption pattern.

7 **Q. PLEASE DESCRIBE THE METHOD USED IN CALCULATING FIRM**  
8 **TEMPERATURE-SENSITIVE DEMAND FOR THE FIRM CLASSES**  
9 **INDICATED ABOVE.**

10 **A.** The forecast of firm temperature-sensitive demand employs  
11 a regression analysis of up to 20.5 years of historical,  
12 class-specific usage per customer compared against  
13 historical degree days. The coefficients of the  
14 regressions are then used to forecast consumption under  
15 normal weather conditions with expected levels of  
16 customer growth by class.

17 **Q. PLEASE DESCRIBE THE METHODS USED IN CALCULATING FIRM**  
18 **DEMAND FOR THE LVD, EGF AND GLS SERVICE CLASSES.**

19 **A.** The forecast for the LVD and EGF Service Classes is more  
20 customer-specific and is based on a review of actual  
21 historical consumption and known changes in operations  
22 obtained from the Company's Marketing Department. Gas  
23 Lights (GLS) are in use at all times. As a result, the  
24 forecast is based on historical consumption.

1 **Q. HOW WAS THE FORECAST OF NON-FIRM SALES DEVELOPED?**

2 **A.** The forecast of non-firm sales was developed by reviewing  
3 industrial customer questionnaires, historical sales  
4 levels, the expected prices of competitive fuels and the  
5 level of pricing flexibility available to keep the price  
6 of gas competitive with alternate fuels. Discussions  
7 between the non-firm customers and the Company's  
8 Marketing Department provide insight into expected  
9 changes in the level of forecast consumption due to  
10 operational changes. Another consideration in  
11 forecasting load for non-firm customers is the ability of  
12 the Company to maintain adequate gas supplies to meet the  
13 demand of firm customers, particularly during the winter  
14 period.

15 **Q. PLEASE EXPLAIN THE FORECAST OF TRANSPORTATION SERVICE**  
16 **VOLUMES AS SHOWN ON FORECAST SCHEDULE TK-1.**

17 **A.** Transportation services are provided under the Company's  
18 Interruptible Transportation Service (ITS), CS Special  
19 Provision 4, Firm Transportation Service (FTS), General  
20 Delivery Service (GDS), and Residential Delivery Service  
21 (RDS) classes. The forecast for these customers was  
22 developed through review of historical consumption and  
23 expected changes in consumption from historic levels.

1 Q. WERE THE COMPANY'S FIRM AND NON-FIRM SALES AND  
2 TRANSPORTATION REVENUE FORECASTS PREPARED USING THE SAME  
3 METHODOLOGY USED BY THE COMPANY IN PREPARING LAST YEAR'S  
4 REVENUE FORECASTS?

5 A. Yes, except that this year's regression equations are  
6 based on up to 20.5 years of actual sales demand data  
7 applied to regression equations used last year. The  
8 equations developed for the 2012 Recovery Year are used  
9 to forecast demand for the temperature-sensitive classes.

10 WEATHER NORMALIZATION CLAUSE

11 Q. PLEASE DESCRIBE THE WEATHER NORMALIZATION CLAUSE ("WNC").

12 A. The Company's WNC is a rate mechanism which, in general,  
13 mitigates the financial effect of variations from the  
14 normal weather on which base rates are set, on both the  
15 Company and its customers in the Residential Delivery  
16 Service ("RDS"), Small General Service ("SGS"), and  
17 General Delivery Service ("GDS"), classes, the Company's  
18 most weather-sensitive customer classes. Variances in  
19 actual degree days from normal for each day are measured  
20 and accumulated over the calendar month for each month in  
21 the Winter Period (October through May). These monthly  
22 variances are adjusted for a degree day deadband, which  
23 is 0.5% of the Normal Calendar Month Degree Days  
24 ("NCMDD"). The resulting cumulative degree day variance

1 determines the adjustment to customers' bills in the  
2 following Winter Period, which is either a surcharge to  
3 collect a revenue deficiency as a result of warmer-than-  
4 normal weather or a credit to customers to refund the  
5 excess revenues collected as a result of colder-than-  
6 normal weather.

7 **Q. HAVE THERE BEEN ANY CHANGES TO THE WNC MARGIN REVENUE**  
8 **FACTOR?**

9 **A.** No. The Company is proposing to use the Margin Revenue  
10 Factor used in calculating the Margin excess or  
11 deficiency approved in the Company's most recent base  
12 rate case.

13 **Q. WHAT IS THE RESULT OF THE COMPARISON OF THE ACTUAL**  
14 **TEMPERATURES EXPERIENCED IN THE MOST RECENT WINTER PERIOD**  
15 **AND THE NCMDD?**

16 **A.** For the 2010/2011 Winter Period, the weather was 0.2% or  
17 9 degree days warmer than normal. The monthly degree day  
18 variances must be adjusted for the WNC deadband within  
19 which the WNC operates. After this adjustment, the  
20 cumulative degree day variance of 3 degree days produces  
21 a margin revenue excess of \$669,894. These calculations  
22 are set forth on WNC Schedule TK-2.

23 **Q. WHY WAS THERE A MARGIN REVENUE EXCESS IN A WARMER THAN**  
24 **NORMAL WINTER PERIOD?**

1 **A.** In determining the overall margin excess or deficiency,  
2 each month is separately considered and then summed for  
3 the winter period. The overall margin revenue excess was  
4 attributed to the following factors: (i) two out of the  
5 eight months of the winter period were colder than normal  
6 and those heating degree days nearly offset the number of  
7 degree days in the six warmer than normal months and (ii)  
8 the larger margin revenue impact of December and January  
9 was greater than the sum of the warmer than normal  
10 months, which generated the net excess.

11 **Q. WHAT WERE THE RESULTS OF THE OPERATION OF THE WNC DURING**  
12 **THE MOST RECENT WINTER PERIOD?**

13 **A.** WNC Schedule TK-3 shows the results of the operation of  
14 the WNC during the 2010/2011 Winter Period. As of June  
15 30, 2010, the Company had a pre-existing WNC revenue  
16 deficiency of \$6,506,457. This year's filing reflects the  
17 carry-over of the prior period revenue deficiency of  
18 \$4,338,398 minus this year's WNC revenue excess for the  
19 Winter Period ending May 31, 2011 of \$669,894, as shown  
20 on WNC Schedule TK-2, for a net deficiency balance of  
21 \$3,668,504, to be recovered in the 2012 Winter Season  
22 through the proposed WNC rate of \$0.0127 per therm as  
23 shown on WNC Schedule TK-1. The proposed WNC rate of  
24 \$0.0127 per therm is an increase of \$0.0062 per therm

1 from the existing WNC rate of \$0.0065 per therm as  
2 approved in the July 30 Order.

3 **Q. HOW IS THE WNC RATE CALCULATED?**

4 **A.** As set forth in Rider B of the Company's tariff, the  
5 monthly difference in degree days from normal during the  
6 Winter Period, adjusted for a monthly 0.5% deadband, is  
7 multiplied by the monthly Degree Day Consumption Factor  
8 yielding a difference in therms consumed associated with  
9 the variance (in degree days) between actual and normal  
10 weather. The monthly Degree Day Consumption Factors  
11 included on WNC Schedule TK-2 were calculated using the  
12 WNC factors filed in Elizabethtown's previous WNC  
13 proceeding.

14 As shown on WNC Schedule TK-2, the variance in  
15 therms is then multiplied by the margin revenue factor of  
16 \$0.2504 per therm to produce the monthly margin revenues  
17 associated with warmer or colder-than-normal weather  
18 during the affected winter period. The resulting margin  
19 revenue excess or deficiency is then adjusted for the  
20 prior year balance, presented on WNC Schedule TK-3. This  
21 excess or deficiency is divided by the projected  
22 throughput for the months of October through May for the  
23 RDS, SGS, and GDS classes and adjusted for applicable  
24 taxes and assessments in order to derive the WNC rate.

1 Q. HOW ARE THE UPDATED MONTHLY DEGREE DAY CONSUMPTION  
2 FACTORS DEVELOPED?

3 A. WNC Schedule TK-4 presents the development of the new  
4 monthly Degree Day Consumption Factors to be utilized in  
5 the 2011/2012 Winter Period. The normalized use in  
6 therms per customer, is based on the normalized projected  
7 heat load and base number of customers approved by the  
8 BPU in Docket No. GR09030195, and adjusted this year for  
9 a normal heating degree day leap year pattern in the  
10 months of February through May, is multiplied by the  
11 current customer counts, as of May 31, 2011 for those  
12 classes subject to the WNC clause. The resulting  
13 Annualized Normalized Projected Heat Load is then divided  
14 by the 20-year normal heating degree day leap-year  
15 pattern, deriving the new monthly Degree Day Consumption  
16 Factors. It should be noted that except for updates in  
17 the base number of customers and adjustments to account  
18 for the existence of a leap year (when necessary), the  
19 information used to update the monthly Degree Day  
20 Consumption Factors is derived from the Company's  
21 previous base rate case.

22 Q. WHAT IS THE TOTAL PROJECTED FIRM THROUGHPUT FOR THE  
23 CLASSES SUBJECT TO THE WNC FOR THE PERIOD OCTOBER 1, 2011  
24 THROUGH MAY 31, 2012?

1 A. The total projected throughput is 309,350,700 therms, as  
2 set forth on WNC Schedule TK-1.

3 Q. ARE THERE ANY RESTRICTIONS ON THE APPLICABILITY OF A  
4 WEATHER NORMALIZATION RATE?

5 A. Yes, under the tariff, a positive weather normalization  
6 rate may not result in an increase of more than three  
7 percent (3%) of the RDS service classification  
8 distribution rate plus the BGSS rate. In addition, the  
9 collection of additional revenues from the WNC is not  
10 permitted where such additional revenues cause the  
11 Company to exceed its Board-authorized percentage rate of  
12 return on equity for the preceding annual period.

13 Q. DO THESE RESTRICTIONS APPLY IN THIS PROCEEDING?

14 A. No. The proposed WNC rate is less than the WNC rate cap.  
15 Moreover, as reflected on WNC Schedule TK-5, the proposed  
16 WNC rate does not cause the Company to exceed its Board-  
17 authorized percentage rate of return on equity for the  
18 preceding annual period.

19 Q. HAVE THERE BEEN ANY CHANGES TO THE CALCULATION OF  
20 JURISDICTIONAL NET INCOME SINCE THE PREVIOUS FILING?

21 A. No. The Company is calculating jurisdictional net income  
22 in the same manner as in its previous WNC/SBC filing.

23 Q. PLEASE EXPLAIN WNC SCHEDULE TK-5.

1     **A.** WNC Schedule TK-5 shows the calculation of projected  
2 regulated jurisdictional net income for the year ending  
3 September 30, 2011. For purposes of this calculation, the  
4 amounts presented include nine months of actual income  
5 through June 30, 2011 and three months of projected  
6 income. The projected amounts were developed from the  
7 Company's 2011 budget.

8             The second section of the schedule sets forth the  
9 calculation of the authorized return on common equity  
10 using the average thirteen-month common equity balance.  
11 The average common equity balance was calculated by  
12 adding the common equity balances at the end of each of  
13 the ten months ended June 30, 2011, and projected  
14 balances at the end of the months July through September  
15 2011. The sum of these balances was divided by 13 to  
16 arrive at the average balance.

17             The final section of the schedule shows the  
18 comparison of the deficiency of regulated jurisdictional  
19 net income from the allowed return on common equity to  
20 the margin revenue deficiency, net of tax, as calculated  
21 in WNC Schedule TK-2.

22     **Q. PLEASE EXPLAIN THE RESULT OF THIS EARNINGS TEST.**

23     **A.** The test of earnings shows that the regulated  
24 jurisdictional net income for the period ending September

1 30, 2011 is projected to be higher than the allowed  
2 return on common equity. However since the margin  
3 revenue is an excess for the current period, net of  
4 income taxes, the WNC earnings test does not apply.

5 **SOCIETAL BENEFITS CHARGE**

6 **Q. PLEASE DESCRIBE THE SBC.**

7 **A.** The SBC currently consists of the following components:  
8 (1) the New Jersey Clean Energy Program ("CEP"), (2) the  
9 Remediation Adjustment Clause ("RAC") component, (3) the  
10 Universal Service Fund ("USF") charge, and (4) the  
11 Lifeline charge. As discussed in the accompanying  
12 Petition, Petitioner is not proposing changes to the RAC,  
13 USF and Lifeline rates in this filing; these rates have  
14 been or will be addressed in separate filings. In this  
15 Petition, the Company is only proposing a change to the  
16 CEP rate component of the SBC. My testimony is limited  
17 to addressing support for the increase in the CEP  
18 component of the SBC rate.

19 **SBC - CEP COMPONENT**

20 **Q. DESCRIBE THE PURPOSE OF THE CEP.**

21 **A.** The CEP was created as a result of the Electric Discount  
22 and Energy Competition Act of 1999 and the Board's March  
23 9 Order in Docket No. EX99050347, et al. The programs

1 described below were developed after consultation between  
2 the BPU and the Department of Environmental Protection to  
3 promote both energy efficiency and Class 1 renewable  
4 energy programs for the State of New Jersey and its  
5 energy consumers.

6 **Q. WERE ALL APPROVED CEP FUNDS COLLECTED BY ELIZABETHTOWN**  
7 **SPENT ON PROGRAMS ADMINISTERED BY ELIZABETHTOWN AND/OR**  
8 **THE FISCAL AGENT?**

9 **A.** Yes. Elizabethtown expends program funds in the  
10 following three ways: (i) expenses for the costs of  
11 administering CEP Energy Efficiency Programs, (ii)  
12 payments made to renewable or grid supply program vendors  
13 at the direction of BPU Staff, and (iii) payments made  
14 directly to the fiscal agent, which are equal to the  
15 difference between the Board-approved funding and the  
16 Company's administrative costs and payments to vendors.

17 **Q. PLEASE EXPLAIN HOW THE PROPOSED CEP COMPONENT OF THE SBC**  
18 **WAS CALCULATED.**

19 **A.** The proposed CEP component is calculated by determining  
20 the sum of (i) the total of the current year's  
21 expenditures and fiscal agent payments, less recoveries,  
22 plus carrying costs as shown on CEP Schedule TK-2, (ii)  
23 the prior year's over or under-recovery shown as the  
24 opening balance on CEP Schedule TK-2, and (iii) the

1 projected CEP costs for the twelve month period ended  
2 period June 30, 2012, which are adjusted for costs in  
3 excess of the CEP Budget as of June 30, 2011, if any. The  
4 net total represents the costs to be recovered in the  
5 2012 Recovery Year, as shown on CEP Schedule TK-1. This  
6 total is then divided by the sales and transportation  
7 volumes projected for the 2012 Recovery Year for the  
8 service classes shown on Forecast Schedule TK-1, with the  
9 resulting quotient being adjusted for applicable taxes  
10 and assessments to arrive at a CEP rate of \$0.0641 per  
11 therm.

12 **Q. WHAT ARE THE CEP PROGRAM COSTS FOR THE YEAR ENDED JUNE**  
13 **30, 2011 AS REFLECTED IN THE COMPANY'S FILING?**

14 **A.** CEP Schedule TK-2 reflects CEP expenditures of \$2,342,955  
15 and fiscal agent payments of \$9,434,085 for the twelve  
16 months ended June 30, 2011.

17 **Q. WHAT ARE THE RESULTS OF THE PRIOR YEAR RECOVERY?**

18 **A.** As of June 30, 2011, the Company's CEP Charge Component  
19 has resulted in an underrecovery of \$12,059,909. This  
20 amount consists of the underrecovery of \$7,943,668 at  
21 June 30, 2010, plus the current year CEP costs of  
22 \$2,342,955 and payments made to the CEP Fiscal Agent of  
23 \$9,434,085 less CEP recoveries of \$7,899,286, plus

1 carrying costs of \$238,487 for the twelve months ended  
2 June 30, 2011.

3 **Q. WHAT LEVEL OF COSTS IS THE PROPOSED CEP COMPONENT**  
4 **DESIGNED TO RECOVER?**

5 **A.** This year, the CEP component is designed to recover  
6 \$28,496,789 as set forth on CEP Schedule TK-1, line 8,  
7 resulting in a per therm rate of \$0.0641. This amount is  
8 made up of the net CEP under-recovery balance at June 30,  
9 2011 of \$12,059,909 as described above and shown on  
10 Schedule CEP TK-1 line 6, and projected fiscal agent  
11 payments to be remitted during the next twelve months of  
12 \$16,436,880 as shown on Schedule CEP TK-1 line 7. This  
13 amount is in accordance with both the Board's September  
14 30, 2008 Order in Docket No.EO07030203, wherein the  
15 Company has been allocated \$14,950,013 of CEP funding  
16 responsibility for the twelve months ending June 30,  
17 2012, as shown on Schedule CEP TK-5.

18 **Q. PLEASE EXPLAIN THE REASON FOR THE INCREASE IN CEP COSTS.**

19 **A.** The increase in CEP costs is attributable to the carry  
20 over of prior balances stemming from having a 2006  
21 recovery rate approved in 2008, and increases in  
22 Elizabethtown's required payments to the Fiscal Agent  
23 from \$8.0 million in 2006 to the current requirement of  
24 \$15.0 million as well as reduction of approximately 13%

1 of the projected applicable therm billable base from the  
2 exclusion of gas used to generate electricity for  
3 wholesale sales per the Long-Term Capacity Agreement  
4 Pilot Program ("LCAPP"), P.L. 2011, c.9 enacted on  
5 January 28, 2011.

6 **Q. PLEASE FURTHER EXPLAIN THE IMPACT OF THE LONG-TERM**  
7 **CAPACITY AGREEMENT PILOT PROGRAM ("LCAPP"), P.L. 2011, c.**  
8 **9 ENACTED ON JANUARY 28, 2011.**

9 **A.** The LCAPP legislation has resulted in the reduction of  
10 approximately 13% of Petitioner's projected applicable  
11 billable therm base insofar as it excludes gas used to  
12 generate electricity for wholesale sales from the SBC  
13 rate. Thus, the CEP costs are recovered from a smaller  
14 therm base than was previously the case.

15 **Q. ARE CARRYING COSTS INCLUDED IN THE CEP CALCULATION?**

16 **A.** Yes. In accordance with the Board's Order dated March  
17 30, 2001 in Docket No. GX99030121 *et al.* the Company is  
18 permitted to recover carrying costs on its CEP cost  
19 balance. The Company will continue to accrue carrying  
20 costs on the net monthly balance of its deferred CEP  
21 costs and recoveries for recovery in the subsequent years  
22 as shown on CEP Schedule TK-2.

23 **Q. WHAT IS THE CHANGE IN THE TOTAL SBC RESULTING FROM THE**  
24 **PROPOSED INCREASE IN THE CEP RATE?**

1 A. The proposed change in the CEP rate will produce an  
2 increase to Elizabethtown's currently effective SBC rate  
3 from \$0.0332 per therm to \$0.0815 per therm,

4 OSMC RATE

5 Q. PLEASE BRIEFLY DESCRIBE THE OSMC.

6 A. The OSMC was originally approved by the Board by Order  
7 dated March 30, 2001 in Docket No. GX99030121, *et al.*, as  
8 the rate mechanism to be used to refund to firm sales and  
9 residential transportation customers portions of the  
10 margins derived by the Company from the rendition of  
11 certain non-firm sales and transportation services.

12 Q. TO WHICH SERVICE CLASSIFICATIONS IS THE OSMC RATE  
13 APPLIED?

14 A. In accordance with the Board's March 30, 2001 Order in  
15 Docket No. GX99030121, *et al.*, the OSMC component applies  
16 to customers receiving BGSS service from the Company as  
17 well as RDS customers taking gas supply from a Third  
18 Party Supplier. In the Board's August 19, 2005 Order in  
19 Docket No. GR05060494 the Board approved the Company's  
20 proposal to apply the BGSS-M, a market rate, for those  
21 GDS and MFS customers taking service during the months of  
22 May through October under Special Provisions 3 and 1,  
23 respectively, of those service classifications; as such  
24 these customers also receive the OSMC on a year round

1 basis. By the December 17 Order, the Board approved the  
2 Company's proposal to merge the TC and MFS Service  
3 Classes into the GDS class.

4 **Q. WHAT IS THE PROPOSED OSMC RATE?**

5 **A.** The proposed OSMC rate is a credit of (\$0.0188) per therm  
6 as presented on Schedule OSMC TK-1.

7 **Q. PLEASE EXPLAIN HOW THE OSMC RATE WAS CALCULATED.**

8 **A.** As shown on OSMC Schedule TK-1, the derivation of the  
9 OSMC rate is based on the projected level of margins from  
10 certain non-firm sales and transportation services for  
11 the twelve month period ended June 30, 2012 and the prior  
12 year's over or under-recovery of margins generated, less  
13 margins credited to customers as more fully described  
14 below, divided by the applicable projected volumes.

15 **Q. PLEASE EXPLAIN HOW MARGIN SHARING AMOUNTS REFLECTED ON**  
16 **SCHEDULE OSMC SCHEDULE TK-2 HAVE BEEN CALCULATED.**

17 **A.** Margins from the commodity element of non-firm sales to  
18 IS, CS and CSI customers and from certain ITS and CS  
19 transportation services are shared 80% to customers and  
20 20% to the Company.

21 In addition, also included in the sharing formula  
22 are certain commodity margins from non-firm  
23 transportation customers under the ITS-CSI service  
24 classification and certain demand and commodity margins

1 from non-firm transportation customers under the ITS-IS  
2 service classification. Finally, also included in the  
3 derivation of the OSMC are 100% of margins from sales and  
4 services to Cogen Technologies pursuant to an Order dated  
5 December 23, 1991 in Docket No. GM90090949.

6 **Q. HAS THE COMPANY PROPOSED ANY CHANGES TO ITS TARIFF**  
7 **RELATED TO ITS OSMC RATE?**

8 **A.** Yes. To be consistent with the process filed by other  
9 New Jersey gas utilities, in the Company's June 1, 2011  
10 Periodic Basic Gas Supply Service ("BGSS-P") filing in  
11 Docket No. GR11060330, the Company is seeking approval to  
12 include the On-System Margin Sharing Credit ("OSMC") rate  
13 in the June 2012 BGSS-P filing rather than include it as  
14 part of the SBC filing. The Company proposed to  
15 establish the OSMC rate using twelve months of actuals  
16 ending in April each year for applicable classes and  
17 apply the derived credit rate to the BGSS-P rate prior to  
18 grossing the rate up for taxes and assessments. This  
19 same credit rate would be applied in a similar manner in  
20 the calculation of the Monthly Basic Gas Supply Service  
21 ("BGSS-M") rate. The credit rate would continue to be  
22 applied to Residential Transportation customers  
23 consistent with the current process. The Company is  
24 including the proposed tariff sheets, attached as Tariff

1 Schedule TK-2, presented in redline only, to effectuate  
 2 this change for which the Company will seek approval in  
 3 the 2012 BGSS filing.

4 **Q. PLEASE SUMMARIZE THE PROPOSED CHANGES TO THE SBC, WNC and**  
 5 **OSMC RATE COMPONENTS.**

6 **A.** The current and proposed SBC rate per therm components  
 7 are as follows:

	Current (1)	Proposed
CEP	\$0.0158	\$0.0641
RAC (2)	(\$0.0020)	(\$0.0020)
USF (3)	\$0.0142	\$0.0142
Lifeline (3)	\$0.0052	\$0.0052
Total SBC	\$0.0332	\$0.0815
WNC	\$0.0065	\$0.0127
OSMC	(\$0.0172)	\$(0.0188)
Total	<u>\$0.0225</u>	<u>\$0.0754</u>

- (1) Per Board Order in Docket Nos. GR05080730 & GR06080621 dated July 30, 2008.
- (2) A proposed reconciliation of this rate will be proposed in a separate petition.
- (3) Statewide rates filed under a separate petition.

8 **Q. WHAT IS THE IMPACT OF THE PROPOSED CHANGES IN THESE RATES**  
 9 **ON TYPICAL RESIDENTIAL CUSTOMERS?**

10 **A.** The total impact of the proposed adjustments to the WNC,  
 11 SBC and OSMC rates on a typical residential heating  
 12 customer using 100 therms is to increase the customer's  
 13 typical monthly bill by \$5.29 from \$124.93 to \$130.22, an

1           increase of 4.2%, as compared to the Company's present  
2           rates.

3   **Q.   DOES THIS CONCLUDE YOUR TESTIMONY?**

4   **A.   Yes, it does.**

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

~~ORIGINAL~~ REVISED SHEET NO. 103

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

Applicable to all customers in service classifications RDS, SGS and GDS except for GDS customers during the months of October and May under Special Provision 2.

October ~~2008 until changed by Order of the Board~~  
~~per Docket No. GR06080621 dated July 30, 2008~~<sup>\*1</sup>, 2011 through May 31, 2012  
~~\$0.0065~~ \$0.0127 per therm  
June 1<sup>st</sup> through September 30<sup>th</sup> not applicable

~~\*While it has been the Company's typical practice to cease charging its WNC rate as of May 31 of each year and to refrain from putting a new WNC rate into effect until a subsequent Board Order is issued in a new WNC proceeding, per this Order the Company has been permitted to continue to charge its WNC rate commencing on October 1, 2008 to the extent that such rate is necessary to eliminate a WNC underrecovery balance.~~

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. In the winter months, October through May, a weather normalization charge shall be applied to the rate quoted in this Tariff under the service classifications shown above, except as may be otherwise provided for in the individual service classification. The weather normalization charge applied in each winter period shall be based on the differences between actual and normal weather during the preceding winter period.

METHOD OF DETERMINING WEATHER NORMALIZATION CHARGE:

The weather normalization charge shall be determined as follows:

I. Definition of Terms as Used Herein

1. Degree Days (DD) - the difference between 65°F and the twenty-four point average temperature for the day, as determined from the records of the National Oceanic and Atmospheric Administration (NOAA) at its weather observation station located at Newark International Airport, when such average falls below 65°F. A day is defined as a period corresponding with the Company's gas sendout day of 10 am to 10 am. The eight temperature observations for a day shall be 10 am, 1 pm, 4 pm, 7 pm, 10 pm, 1 am, 4 am, and 7 am.

Date of Issue: ~~December 17, 2009~~

Effective: Service Rendered  
on and after ~~December 17, 2009~~

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 ~~December 17, 2009~~ in Docket No. ~~GR09030195~~

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

ORIGINAL REVISED SHEET NO. 105

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

METHOD OF DETERMINING WEATHER NORMALIZATION CHARGE: (continued)

I. Definition of Terms as Used Herein (continued)

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

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

7. Margin Revenue Factor - the weighted average of the Distribution Charges as quoted in the individual service classes to which this clause applies net of applicable taxes and assessments and any other revenue charge not retained by the Company that these rates may contain in the future. The weighted average shall be determined by multiplying the ~~tail-block~~ margin revenue component of the Distribution Charges from each service class to which this clause applies by each class's percentage of total consumption of all the classes to which this clause applies for the winter period and summing this result for all the classes to which this clause applies. The Margin Revenue Factor shall be redetermined each time base rates are adjusted. The current Margin Revenue Factor is \$0.2504 per therm.

Date of Issue: ~~December 17, 2009~~

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

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Dated ~~December 17, 2009~~ in Docket No. ~~GR09030195~~

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

ORIGINAL REVISED SHEET NO. 108

RIDER "C"

ON-SYSTEM MARGIN SHARING CREDIT ("OSMC")

Applicable to all Service Classifications that pay the BGSS of Rider A and RDS customers that receive gas supply from a TPS in accordance with the Board's Order in Docket No. GO99030122, except for those GDS customers during the months of May through October under Special Provision 2-, which changed to an annual credit in the Board's Order dated March 30, 2001 in Docket No. GX99030121 wherein the BGSS applied to GDS customers on a year round basis.

The OSMC is subject to change to reflect the Company's actual recovery of such margins and shall be adjusted annually in its BGSS filing.

~~(\$0.0172)~~ (\$0.0188) 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.

Determination of the OSMC

On or about July 31 of each year, the Company shall file with the Board an OSMC rate filing based on the credits generated from on-system margin sharing during the previous OSMC year July 1 through June 30.

The OSMC shall be calculated by taking the current year's credits, plus the prior year's OSMC over or under recovery balance and dividing the resulting sum by the annual forecasted volumes for the service classifications set forth above. The resulting rate shall be adjusted for all applicable taxes and assessments.

Date of Issue: ~~December 17, 2009~~

Effective: Service Rendered  
on and after ~~December 17, 2009~~

Issued by: Jodi Gidley  
Sr. Vice President, Mid-Atlantic Operations  
300 Connell Drive, Suite 3000  
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Dated ~~December 17, 2009~~ in Docket No. ~~GR09030195~~

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

**FIRST** REVISED SHEET NO. 109

RIDER "D"

SOCIETAL BENEFITS CHARGE ("SBC")

Applicable to all tariff Service Classifications except those Customers under special contracts that explicitly do not permit the Company to apply increased charges or assessments as filed and approved by the NJBPU.

The SBC is designed to recover the (1) cost of Comprehensive Resource Analysis Programs that were approved by the Board pursuant to its Comprehensive Resource Analysis regulations prior to April 30, 1997, (2) cost of Manufactured Gas Plant Remediation, and (3) cost of Consumer Education and any other new programs which the Board determines should be recovered through the Societal Benefits Charge.

<u>SBC Rate Components:</u>		<u>Per Therm</u>
I.	New Jersey Clean Energy Program ("CEP")	<del>\$0.0158</del> <u>\$0.0641</u>
II.	Remediation Adjustment Charge ("RAC")	(\$0.0020)
III.	<u>Universal Service Fund and Lifeline:</u>	
	1. Universal Service Fund ("USF")	\$0.0142
	2. Lifeline	<u>\$0.0052</u>
	<b>TOTAL</b>	<del>\$0.0332</del> <u>\$0.0815</u>

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.

I. New Jersey Clean Energy Program Component ("CEP")

The Comprehensive Resource Analysis ("CRA") name was changed to the Clean Energy Program - CEP per Board Order dated January 22, 2003 in Docket No. EX99050347 *et.al*. The CEP is a mechanism that will (1) establish a rate to recover the costs of the Core and Standard Offer Programs in the Company's CEP Plan which was approved by the Board of Public Utilities ("BPU") in Docket No. GE92020104, and (2) compensate the Company for the revenue erosion resulting from conservation savings created by the Standard Offer Program. The annual recovery period for the CEP is from October 1 through September 30. The CEP recovers program costs and revenue erosion incurred during the previous CEP year ended June 30.

- CEP program costs include the costs of core programs, standard offer payments and any administrative costs not recovered directly from standard offer providers.

Date of Issue: ~~October 20, 2010~~

Effective: Service Rendered on and after ~~November 1, 2010~~

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 ~~October 20, 2010~~ in Docket No. ~~ER10060436~~

**CLEAN**

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

REVISED SHEET NO. 103

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

Applicable to all customers in service classifications RDS, SGS and GDS except for GDS customers during the months of October and May under Special Provision 2.

October 1, 2011 through May 31, 2012	\$0.0127 per therm
June 1 <sup>st</sup> through September 30 <sup>th</sup>	not applicable

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. In the winter months, October through May, a weather normalization charge shall be applied to the rate quoted in this Tariff under the service classifications shown above, except as may be otherwise provided for in the individual service classification. The weather normalization charge applied in each winter period shall be based on the differences between actual and normal weather during the preceding winter period.

METHOD OF DETERMINING WEATHER NORMALIZATION CHARGE:

The weather normalization charge shall be determined as follows:

I. Definition of Terms as Used Herein

1. Degree Days (DD) - the difference between 65°F and the twenty-four point average temperature for the day, as determined from the records of the National Oceanic and Atmospheric Administration (NOAA) at its weather observation station located at Newark International Airport, when such average falls below 65°F. A day is defined as a period corresponding with the Company's gas sendout day of 10 am to 10 am. The eight temperature observations for a day shall be 10 am, 1 pm, 4 pm, 7 pm, 10 pm, 1 am, 4 am, and 7 am.

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Date of Issue:

Effective: Service Rendered  
on and after

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

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

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

REVISED SHEET NO. 105

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

METHOD OF DETERMINING WEATHER NORMALIZATION CHARGE: (continued)

I. Definition of Terms as Used Herein (continued)

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

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

7. Margin Revenue Factor - the weighted average of the Distribution Charges as quoted in the individual service classes to which this clause applies net of applicable taxes and assessments and any other revenue charge not retained by the Company that these rates may contain in the future. The weighted average shall be determined by multiplying the margin revenue component of the Distribution Charges from each service class to which this clause applies by each class's percentage of total consumption of all the classes to which this clause applies for the winter period and summing this result for all the classes to which this clause applies. The Margin Revenue Factor shall be redetermined each time base rates are adjusted. The current Margin Revenue Factor is \$0.2504 per therm.

Date of Issue:

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on and after

Issued by: Jodi Gidley  
Sr. Vice President, Mid-Atlantic Operations  
300 Connell Drive, Suite 3000  
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Dated in Docket No.

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

REVISED SHEET NO. 108

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RIDER "C"

ON-SYSTEM MARGIN SHARING CREDIT ("OSMC")

Applicable to all Service Classifications that pay the BGSS of Rider A and RDS customers that receive gas supply from a TPS in accordance with the Board's Order in Docket No. GO99030122, except for those GDS customers during the months of May through October under Special Provision 2, which changed to an annual credit in the Board's Order dated March 30, 2001 in Docket No. GX99030121 wherein the BGSS applied to GDS customers on a year round basis.

The OSMC is subject to change to reflect the Company's actual recovery of such margins and shall be adjusted annually in its BGSS filing.

(\$0.0188) 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.

Determination of the OSMC

On or about July 31 of each year, the Company shall file with the Board an OSMC rate filing based on the credits generated from on-system margin sharing during the previous OSMC year July 1 through June 30.

The OSMC shall be calculated by taking the current year's credits, plus the prior year's OSMC over or under recovery balance and dividing the resulting sum by the annual forecasted volumes for the service classifications set forth above. The resulting rate shall be adjusted for all applicable taxes and assessments.

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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

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Dated in Docket No.

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

REVISED SHEET NO. 109

RIDER "D"

SOCIETAL BENEFITS CHARGE ("SBC")

Applicable to all tariff Service Classifications except those Customers under special contracts that explicitly do not permit the Company to apply increased charges or assessments as filed and approved by the NJBPU.

The SBC is designed to recover the (1) cost of Comprehensive Resource Analysis Programs that were approved by the Board pursuant to its Comprehensive Resource Analysis regulations prior to April 30, 1997, (2) cost of Manufactured Gas Plant Remediation, and (3) cost of Consumer Education and any other new programs which the Board determines should be recovered through the Societal Benefits Charge.

<u>SBC Rate Components:</u>		<u>Per Therm</u>
I.	New Jersey Clean Energy Program ("CEP")	\$0.0641
II.	Remediation Adjustment Charge ("RAC")	(\$0.0020)
III.	<u>Universal Service Fund and Lifeline:</u>	
	1. Universal Service Fund ("USF")	\$0.0142
	2. Lifeline	<u>\$0.0052</u>
	TOTAL	\$0.0815

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.

I. New Jersey Clean Energy Program Component ("CEP")

The Comprehensive Resource Analysis ("CRA") name was changed to the Clean Energy Program - CEP per Board Order dated January 22, 2003 in Docket No. EX99050347 *et.al*. The CEP is a mechanism that will (1) establish a rate to recover the costs of the Core and Standard Offer Programs in the Company's CEP Plan which was approved by the Board of Public Utilities ("BPU") in Docket No. GE92020104, and (2) compensate the Company for the revenue erosion resulting from conservation savings created by the Standard Offer Program. The annual recovery period for the CEP is from October 1 through September 30. The CEP recovers program costs and revenue erosion incurred during the previous CEP year ended June 30.

1. CEP program costs include the costs of core programs, standard offer payments and any administrative costs not recovered directly from standard offer providers.

Date of Issue:

Effective: Service Rendered  
on and after

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

Filed Pursuant to Order of the Board of Public Utilities  
Dated \_\_\_\_\_ in Docket No. \_\_\_\_\_

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

**NINETEENTH** REVISED SHEET NO. 98

RIDER "A"

BASIC GAS SUPPLY SERVICE CHARGE ("BGSS")

This Rider sets forth the method of determining the BGSS which shall be calculated to four (4) decimal places on a per therm basis established in accordance with the Board Order in Docket No. GX01050304 dated January 6, 2003. The BGSS charge is either BGSS-Monthly ("BGSS-M") or BGSS-Periodic ("BGSS-P") and will be applied to a Customer's Service Classification as follows:

1. The BGSS-M shall be applicable to all GDS, LVD, and EGF customers receiving gas supply from the Company effective on the first of each month as determined below.
2. The BGSS-P shall be applicable to all RDS, SGS, and GLS customers receiving gas supply from the Company, except that the On-System Margin Credit ("OSMC") component of the BGSS-P shall apply to RDS customers taking gas supply from Third Party Suppliers.

The BGSS Charge, as defined herein, is designed to recover the cost to the Company of purchased gas or fuel used as a substitute for or supplemental to purchased gas including the cost of storing or transporting said gases or fuel, the cost of financial instruments employed to stabilize gas costs, other charges or credits as may result from the operation of other tariff provisions, and taxes and assessments in connection with the purchase and sale of gas.

BGSS per therm rates:

<u>Effective Date</u>	<u>BGSS-M per therm</u>	<u>BGSS-P Per therm</u>
July 1, 2010	\$0.7287	\$0.8031
August 1, 2010	\$0.7350	\$0.8031
September 1, 2010	\$0.6094	\$0.8031
October 1, 2010	\$0.6302	\$0.8031
November 1, 2010	\$0.5692	\$0.8031
December 1, 2010	\$0.6783	\$0.8031
January 1, 2011	\$0.6726	\$0.8031
February 1, 2011	\$0.6838	\$0.8031
March 1, 2011	\$0.6253	\$0.8031
April 1, 2011	\$0.6753	\$0.8031
May 1, 2011	\$0.6906	\$0.8031
June 1, 2011	\$0.6898	\$0.8031
July 1, 2011	\$0.6933	\$0.8031

Date of Issue: ~~July 1, 2011~~

Effective: Service Rendered  
on and after ~~July 1, 2011~~

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 ~~January 6, 2003~~ in Docket No. ~~GX01050304~~

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

~~ORIGINAL~~ REVISED SHEET NO. 99

RIDER "A"

BASIC GAS SUPPLY SERVICE CHARGE ("BGSS")  
(continued)

**I. The BGSS-P Commodity Charge shall be determined as follows:**

The BGSS-P Commodity Charge shall consist of a Gas Cost Component ("GCC"), a Capacity Cost Component ("CCC"), a Prior Period Adjustment ("PPA") and a Tax and Assessment Factor ("TAF") plus the OSMC as follows:

$$\text{BGSS-P} = (\text{GCC-P} + \text{CCC-P} + \text{PPA-P}) \times (\text{TAF}) + \text{OSMC}$$

Where:

**GCC-P** rate per therm shall be sum of the weighted average price, including any applicable transaction costs, based on the projected monthly quantities to be utilized in the remaining period of the BGSS Year ("Period"), of the following categories of gas:

- a) Flowing gas, which will be equal to the arithmetic average of (i) the weighted-average, based on monthly sales, of the remaining New York Mercantile Exchange ("NYMEX") monthly prices for the Period as recorded on the close of trading for the forward contract month and (ii) the weighted average of the estimated Inside FERC prices for the respective locations where the Company purchases its gas for the remainder of the Period, as adjusted for the variable cost of transportation and fuel to the Company's city gate delivery points;
- b) Any gas supplies for the remainder of the Period whose price was previously set by hedges or other financial instruments, adjusted for the variable cost of transportation and fuel to the Company's city gate delivery points;
- c) The supplies of gas projected to be withdrawn from storage for the remainder of the Period, adjusted for the variable cost of transportation and fuel to the Company's city gate delivery points.

**CCC-P** shall be established each year in the Company's annual BGSS-P filing and shall consist of the Company's total estimated annual fixed pipeline costs, fixed supplier costs, and fixed storage costs, divided by the Company's projected annual BGSS firm gas sales.

Date of Issue: ~~December 17, 2009~~

Effective: Service Rendered  
on and after ~~December 17, 2009~~

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 ~~December 17, 2009~~ in Docket No. ~~GR09030195~~

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

~~ORIGINAL~~ REVISED SHEET NO. 100

RIDER "A"  
BASIC GAS SUPPLY SERVICE CHARGE ("BGSS")  
(continued)

**PPA-P** shall be the Company's actual cumulative (over) or under recovery of gas costs associated with the operation of the BGSS divided by the projected BGSS-P firm gas sales for the remainder of the Period. In the initial transition to the BGSS-P, the per therm rate derived from the Company's estimated BGSS under or (over) recovery balance at May 31, 2003 with applicable interest thereon divided by the Company's projected BGSS firm sales for the period ending May 31, 2004, shall be the PPA-P. The over under recovery of gas costs shall be the cost of gas, as previously defined, less:

1. Supplier or Pipeline refunds;
2. Gas cost recoveries from the implementation of the BGSS-P;
3. Gas cost recoveries from the implementation of the BGSS-M;
4. Other gas cost recoveries or credits to the BGSS derived from sales or services as set forth in the applicable service classifications of the tariff;
5. Interest on the cumulative (over) under recovery of cost from the preceding BGSS Year ending September 30 but only when the interest is a credit. Interest being calculated on the cumulative (over) under recovery for each month of the prior period on the average of the beginning and ending monthly balance at a rate equivalent to the Company's allowed overall rate of return.

**TAF** shall be the factors to adjust the calculated rate for appropriate taxes and assessments.

[OSMC shall be the rate per therm, inclusive of appropriate taxes and assessments, as calculated per Section III of this Rider.](#)

The BGSS-P shall be in effect until changed by succeeding BGSS-P rate filings.

The Company shall have the discretion to implement up to two (2) self-implementing BGSS-P rate changes, one to be implemented December 1 and the other to be implemented February 1 upon written notice to the Staff of the Board of Public Utilities and the Division of Ratepayer Advocate of the approximate amount of that increase based on current market conditions by the first of the month preceding the self implementation dates, November 1 and January 1 respectively. Each requested rate change shall not be for an increase of greater than five percent (5%) of the average rate based on a typical 100 therm per month residential total bill. The notice shall contain the information necessary to derive the components of the BGSS-P as set forth above. The Public Notice for the annual filing shall include the specific rate change sought to be implemented on October 1, a paragraph indicating that the rate is subject to self implementing rate changes on December 1 and February 1 subject to the aforementioned 5% cap and an estimate of the impact

Date of Issue: ~~December 17, 2009~~

Effective: Service Rendered  
on and after ~~December 17, 2009~~

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 ~~December 17, 2009~~ in Docket No. ~~GR09030195~~

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

~~ORIGINAL~~ REVISED SHEET NO. 101

RIDER "A"

BASIC GAS SUPPLY SERVICE CHARGE ("BGSS")  
(continued)

from the two (2) possible five percent (5%) increases on a 100 therm residential bill. Upon establishing the initial BGSS-P, one self implementing rate change to the BGSS-P for an increase not greater than five percent (5%) of the average rate based on a typical 100 therm per month residential total bill shall be permitted effective March 1, 2003 upon written notice made to the Staff of the Board of Public Utilities and the Division of the Ratepayer Advocate by February 1, 2003.

The Company shall have the discretion to return any over recovered balances to customers through a current bill credit or BGSS-P rate reduction upon five (5) days notice to the Board Staff and Ratepayer Advocate.

**II. The BGSS-M Commodity Charge shall be determined as follows:**

The BGSS-M Commodity Charge shall consist of a Gas Cost Component ("GCC"), a Capacity Cost Component ("CCC"), a Prior Period Adjustment ("PPA") and a Tax and Assessment Factor ("TAF") plus the OSMC as follows:

$$\text{BGSS-M} = (\text{GCC-M} + \text{CCC-M} + \text{PPA-M}) \times (\text{TAF}) + \text{OSMC}$$

Where:

**GCC-M** rate per therm shall be the arithmetic average of (i) the NYMEX Henry Hub gas contracts closing price for the last trading day prior to each respective month and (ii) the weighted-average of the estimated Inside FERC prices for the respective locations where purchases of gas for the ensuing month are projected to be made, as adjusted for the variable cost of fuel and transportation to the city gate delivery points of the Company.

**CCC-M** shall be the same as the CCC-P rate per therm as established each year in the Company's annual BGSS-P filing.

**PPA-M** rate per therm in the initial transition to the BGSS-M shall be the estimated BGSS under or (over) recovery balance at May 31, 2003 with applicable interest thereon divided by the projected BGSS firm sales for the period ending May 31, 2004. This rate shall continue in effect on a monthly basis until the deferred balance, which initially shall be set equal to the PPA-M times the projected BGSS-M firm sales for the period ending May 31, 2004, becomes positive as an over recovery at which time the PPA-M shall cease to be a component of the BGSS-M starting in the subsequent month, and any over recovery in the deferred balance shall be credited to the BGSS-P.

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

~~ORIGINAL~~ REVISED SHEET NO. 102

RIDER "A"

BASIC GAS SUPPLY SERVICE CHARGE ("BGSS")  
(continued)

**TAF** shall be the factors to adjust the calculated rate for appropriate taxes and assessments.

**OSMC** shall be the rate per therm, inclusive of appropriate taxes and assessments, as calculated per Section III of this Rider.

The BGSS-M will be filed two (2) business days after the monthly close of the NYMEX Henry Hub gas contracts and shall be in effect for the entirety of the subsequent month and thereafter until changed by succeeding BGSS-M rate filings. The BGSS-M price shall be posted on the Company's WEB site within two (2) to four (4) days of the rate being filed with the Board of Public Utilities.

The Company shall make an annual BGSS filing on or before June 1 of each year. The filing shall provide for a review of the actual costs and recoveries for the previous period ending April 30 and projections of costs and recoveries through September 30. The filing shall also propose a new BGSS-P rate to be implemented on October 1. The proposed BGSS-P rate shall be based upon the projected cost of purchased gas and storage utilization to serve projected demand for gas service for the period October 1 through September 30 and an adjustment to recover or credit prior period under or over recovered gas costs as projected to exist on the preceding September 30. The Company shall provide the basis for its projected costs and the NYMEX projection of monthly gas prices for the projected period. In its annual filing the Company shall calculate the CCC-P component, as defined above, of the BGSS-P rate. Adjustments, if any, resulting from the Board's review of this filing shall be made following a Board Order.

~~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.~~

Date of Issue: ~~December 17, 2009~~

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

ORIGINAL SHEET NO. ~~408~~102 A

~~RIDER "C"~~  
~~ON-SYSTEM MARGIN SHARING CREDIT ("OSMC")~~  
~~RIDER "A"~~  
~~BASIC GAS SUPPLY SERVICE CHARGE ("BGSS")~~  
~~(continued)~~

**III. The OSMC Component shall be determined as follows:**

Applicable to all Service Classifications that pay the BGSS ~~of Rider A~~ and RDS customers that receive gas supply from a TPS in accordance with the Board's Order in Docket No. GO99030122, except for those GDS customers during the months of May through October under Special Provision 2, which changed to an annual credit in the Board's Order dated March 30, 2001 in Docket No. GX99030121 wherein the BGSS applied to GDS customers on a year round basis.

The OSMC is subject to change to reflect the Company's actual recovery of such margins and shall be adjusted and trued-up annually in its BGSS filing. The applicable rates are as follows:

1. The BGSS Component rate (\$0.0176) per therm pre assessments and taxes
2. The RDS Transportation rate (\$0.0188) per therm with assessments and taxes

~~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.~~

Determination of the OSMC

~~On or about July 31 of each year, the Company shall file with the Board an~~The OSMC rate filing shall be based on the credits generated from on-system margin sharing during the previous OSMC year July-May 1 through June-April 30. However, for the first year of its inclusion in the BGSS, the period shall be July 1, 2011 through April 30, 2012.

The OSMC shall be calculated by taking the current year's credits, plus the prior year's OSMC over or under recovery balance and dividing the resulting sum by the annual forecasted volumes for the service classifications set forth above. The resulting rate shall be adjusted for all applicable taxes and assessments.

~~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.~~

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Dated ~~December 17, 2009~~ in Docket No. ~~GR09030195~~

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

ORIGINAL SHEET NO. 108

RIDER "C"

AVAILABLE FOR FUTURE USE

ON-SYSTEM MARGIN SHARING CREDIT ("OSMC")

~~Applicable to all Service Classifications that pay the BGSS of Rider A and RDS customers that receive gas supply from a TPS in accordance with the Board's Order in Docket No. G099030122, except for those GDS customers during the months of May through October under Special Provision 2.~~

~~The OSMC is subject to change to reflect the Company's actual recovery of such margins and shall be adjusted annually in its BGSS filing.~~

~~(\$0.0172) 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.~~

~~Determination of the OSMC~~

~~On or about July 31 of each year, the Company shall file with the Board an OSMC rate filing based on the credits generated from on-system margin sharing during the previous OSMC year July 1 through June 30.~~

~~The OSMC shall be calculated by taking the current year's credits, plus the prior year's OSMC over or under recovery balance and dividing the resulting sum by the annual forecasted volumes for the service classifications set forth above. The resulting rate shall be adjusted for all applicable taxes and assessments.~~

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Issued by: Jodi Gidley  
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Filed Pursuant to Order of the Board of Public Utilities  
Dated ~~December 17, 2009~~ in Docket No. ~~GR09030195~~

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

FORECASTED SALES VOLUME  
RECOVERY YEAR - 2012

		SBC Therms *
<u>Sales</u>		
RDS & GLS	Residential	212,195,700
SGS & GDS	Commercial	74,595,200
LVD & EGF	Industrial	742,200
IS, CS, CSI & Spec. Contracts	Interruptible	2,360,750
	Total Sales	<u>289,893,850</u>
<u>Transportation</u>		
RDS	Residential, <i>included above</i>	-
GDS	Commercial	58,805,200
FTS & Firm Spec. Contracts	Industrial	54,000,050
IS, CS, & IT Spec. Contracts	Interruptible	74,102,500
	Total Transportation	<u>186,907,750</u>
	Total Sales and Transportation	<u>476,801,600</u>

\* Excludes therms used for wholesale electric generation.

**Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas**  
**Calculation of WNC Rate**  
**Based on Cumulative Degree Day Differences at:**  
**June 30, 2011**

1	Current Period - Margin Revenue Excess / (Deficiency), (TK-2)	\$669,894
2	Prior Year - Excess / (Deficient) Recovery Balance, (TK-3)	<u>(\$4,338,398)</u>
3	Total Revenue Excess / (Deficiency) Balance (L1+L2)	(\$3,668,504)
4	Projected Therm Volumes (10/1/11 - 5/31/12)	
	RDS	193,680,300
	SGS and GDS	<u>115,670,400</u>
		309,350,700 therms
5	WNC Charge/(Credit) Rate, before taxes & assessments (L3*-1/L4)	\$0.0119 /therm
6	BPU and RC Assessment Factors	<u>1.0018</u>
7	WNC Rate, before taxes (L5*L6)	\$0.0119
	Check against 3 % RS Tailblock Cap (\$1.3452)	
8	Plus 7 % Sales Tax	<u>\$0.0008</u>
9	WNC Charge/(Credit) Rate (L7+L8)	<u><u>\$0.0127</u></u> /therm

Impact to Typical Residential Customer:

	Residential <u>Heat</u>	Residential <u>No-Heat</u>
October - May Therms	874	193
Weather Normalization Rate	<u>\$0.0127</u>	<u>\$0.0127</u>
(Credit)/Surcharge	\$11.10	\$2.46

**Pivotal Utility Holdings, Inc.  
d/b/a Elizabethtown Gas  
Weather Normalization Clause (WNC)**

Month	Actual Calendar Degree Days	Normal <sup>(a)</sup> Calendar Degree Days	(Warmer) / Colder Normal	% (Warmer) / Colder Normal	Season % (Warmer) / Colder Normal	Degree Day Deadband*	Degree Days After Deadband	Degree Day Consumption Factor <sup>(b)</sup>	Variance in Therms	Margin Revenue Excess / (Deficiency)
Oct-10	228	274	(46)	(16.79%)	(16.79%)	1	(45)	45,098	(2,029,410)	(\$508,164)
Nov	512	537	(25)	(4.66%)	(8.75%)	3	(22)	52,224	(1,148,928)	(\$287,692)
Dec	1,006	869	137	15.77%	3.93%	4	133	57,790	7,686,070	\$1,924,592
Jan-11	1,092	967	125	12.93%	7.22%	5	120	59,848	7,181,760	\$1,798,313
Feb	791	841	(50)	(5.95%)	4.04%	4	(46)	58,647	(2,697,762)	(\$675,520)
Mar	672	701	(29)	(4.14%)	2.67%	4	(25)	56,206	(1,405,150)	(\$351,850)
Apr	326	382	(56)	(14.66%)	1.23%	2	(54)	43,144	(2,329,776)	(\$583,376)
May	85	150	(65)	(43.33%)	(0.19%)	1	(64)	40,336	(2,581,504)	(\$646,409)
Total	4,712	4,721	(9)			24	(3)		2,675,300	\$669,894

Margin Revenue Factor (\$/Thm) \$0.2504

Summary: Weather Normalization Clause To Date

Variance In Therms (Warmer)/Colder 2,675,300  
WNC Margin Revenue - Excess / (Deficiency) \$669,894

<sup>(a)</sup> Normal Degree Days as set forth in Tariff No. 14 - Rider B, Original Sheet No. 104

<sup>(b)</sup> Degree Day Consumption Factor as filed in Docket No. GR10070510, Tariff No. 14- Rider B, Revised Sheet No. 105 with a revision to the filed Feb 2011 factor from 58,946 to 58,647.

<sup>(c)</sup> Margin Revenue Factor as set forth in Tariff No. 14 - Rider B, Original Sheet No. 105

\* Dead Band is 0.5% of the Monthly Normal Calendar Degree Days

**Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas**  
**Calculation of Prior Year Recovery Balance**  
**June 30, 2011**

1	Prior Year Excess / (Deficient) Revenues at June 30, 2010		(\$6,506,457)
2	Prior Period Adjustments:		<u>\$0</u>
3	Adjusted Excess / (Deficient) Revenues (L1+L2)		(\$6,506,457)
4	Current Recovery / (Refund) to RDS, SGS, GDS, and MFS Customer Classes		
	July-10	\$49,811	
	August-10	\$46,657	
	September-10	\$52,905	
	October-10	\$66,424	
	November-10	\$145,790	
	December-10	\$294,978	
	January-11	\$407,042	
	February-11	\$399,675	
	March-11	\$308,101	
	April-11	\$225,656	
	May-11	\$108,670	
	June-11	\$62,350	<u>\$2,168,059</u>
5	Total Excess / (Deficient) Revenues (L3+L4)		(\$4,338,398)

**PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS**  
**Development of the Degree Day Consumption Usage Factor**  
**October 2011 - May 2012**

<u>Month</u> <u>a</u>	<u>Normalized Projected Heat Load<sup>1</sup> (therms)</u> <u>b</u>	<u>Base Number of Customers<sup>2</sup></u> <u>c</u>	<u>Normalized Use in Therms Per Customer</u> <u>d=b/c</u>	<u>Number of Customers<sup>3</sup></u> <u>e</u>	<u>Annualized Normalized Projected Heat Load (therms)</u> <u>f=d*e</u>	<u>Monthly Normal Heating Degree Days<sup>4</sup></u> <u>g</u>	<u>Annualized Normalized Consumption in Therms Per Degree Day</u> <u>h=f/g</u>
October	12,215,528	270,827	45.10454	275,702	12,435,412	274	45,385
November	27,786,365	271,439	102.36689	275,702	28,222,756	537	52,556
December	49,912,468	272,283	183.31100	275,702	50,539,209	869	58,158
January	57,735,289	273,306	211.24779	275,702	58,241,438	967	60,229
February	50,783,838	273,936	185.38578	275,702	51,111,230	866	59,020
March	38,979,045	274,159	142.17678	275,702	39,198,423	693	56,563
April	16,003,455	273,907	58.42660	275,702	16,108,330	371	43,419
May	5,828,900	273,032	21.34878	275,702	5,885,901	145	40,592

<sup>1</sup> Adjusted for: a) LAUF as calculated and approved for the 2009 base rate case and b) the normal heating degree day leap-year pattern for the the months of February - May.

<sup>2</sup> Base number of customers from the 2009 base rate case.

<sup>3</sup> May 31, 2011 customer count for those classes subject to the WNC clause.

<sup>4</sup> 20-year 1988-2008 monthly normal heating degree days (base 65°F); represents a leap-year pattern.

**Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas  
Weather Normalization Clause Earnings Test  
October 1, 2010 Through September 30, 2011**

1	Net Income (excluding WNC margin revenue, net of tax) *	\$31,398,237	
2	Less: Non-firm Sales & Transportation margins, net of tax	\$304,736	
	Off-system Sales & Capacity Release, net of tax	\$40,587	
	Amort. of Pension/OPEB Regulatory Assets, net of tax **	\$1,310,501	
3	Other income (expense), net of tax	\$595,646	
4	Regulated Jurisdictional Net Income		\$29,146,767
5	Average Thirteen Month Common Equity ***	\$246,402,369	
6	Allowed Rate of Return on Equity	10.3%	
7	Total Allowed Return (L5*L6)		<u>\$25,379,444</u>
8	Regulated Jurisdictional Net Income Excess / (Deficiency) (L7-L 4)		<u><u>\$3,767,323</u></u>
9	WNC Margin Revenue Excess / (Deficiency) (TK-2)	\$669,894	
10	Less: Corporate Business Tax	\$62,702	
11	Federal Income Tax	<u>\$212,517</u>	
12	Net WNC Margin Revenue Excess / (Deficiency) (L9-L10-L11)		<u><u>\$394,675</u></u>

\* Net Income is adjusted to exclude non-jurisdictional allocated allocated income taxes and to exclude interest and related income tax amounts of non-jurisdiction acquisition adjustment amounts.

\*\* Represents the amortization of the Pension and Other Post-Employment Benefits regulatory assets consistent with the BPU Order approving the acquisition of NUI by AGL Resources Inc. dated 11-17-2004. The amortization was not recorded in the books and records consistent with Generally Accepted Accounting Principles and therefore is included as an adjustment above to reflect the expense for regulatory reporting purposes.

\*\*\* Common Equity is adjusted to exclude non-jurisdictional acquisition adjustment amounts.

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS  
SOCIETAL BENEFITS CHARGE (SBC)  
CLEAN ENERGY PROGRAM (CEP)

CALCULATION OF THE CEP COMPONENT OF THE SBC  
October 1, 2011 through September 30, 2012  
RECOVERY YEAR - 2012

1	Prior Year Balance - Restated (Sch. TK-2)		\$7,943,668
2	Current Year Company Program Costs (Sch. TK-2, col c)		\$2,342,955
3	Current Year and Carry Over Fiscal Agent Payments (Sch. TK-2, col d&e)		\$9,434,085
4	Current Year Recoveries w/ Adjustments (Sch. TK-2)		(\$7,899,286)
5	Current Year Carrying Costs w/ Adjustments (Sch. TK-2)		<u>\$238,487</u>
6	Current Year Ending Balance (Sum L1-L5)		\$12,059,909
7	Next Years Projected Fiscal Agent Payments Scheduled Payments (Sch. TK-5)	\$14,950,013	
	plus Fiscal Agent Payable (Sch. TK-3, col h)	<u>\$1,486,867</u>	\$16,436,880
8	Total Proposed Recoveries (L6+L7)		<u>\$28,496,789</u>
9	Projected Normalized Sales and Services (Forecast Sch. TK-1)		476,801,600 therms
10	CEP COMPONENT, before taxes and assessment (L8/L9)		\$0.0598 /therm
11	BPU & RC Assessment Factors		<u>1.0018</u>
12	CEP COMPONENT, before taxes (L10*L11)		\$0.0599
13	Sales & Use Tax @ 7.00%		<u>0.0042</u>
14	CEP COMPONENT (L12+L13)		<u><u>\$0.0641</u></u> /therm

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS  
SOCIETAL BENEFITS CHARGE (SBC)  
CLEAN ENERGY PROGRAM (CEP)

**Carrying Costs**  
12 Months Ended  
June-11

	Beginning Balance	Program Costs *	Current Fiscal Agent Payments *	Recoveries	Ending Balance	Average Balance	Interest Rate **	Carrying Cost	Ending Balance *** plus Cumulative Interest
a	b	TK-3 c	TK-3 d	TK-4 e	f=b+c+d-e	g=(b+f)2	h	i=g*h/12	j=f+ cum of i (Over) / Under
Beginning Balance									
Jul-10	\$7,943,668	\$237,722	\$672,067	\$398,515	\$8,454,942	\$8,199,305	3.63%	\$24,803	\$8,479,745
Aug-10	\$8,454,942	\$264,109	\$0	\$354,707	\$8,364,344	\$8,409,643	3.63%	\$25,439	\$8,414,586
Sep-10	\$8,364,344	\$115,972	\$735,519	\$349,381	\$8,866,454	\$8,615,399	2.52%	\$18,092	\$8,934,788
Oct-10	\$8,866,454	\$160,656	\$0	\$378,987	\$8,648,123	\$8,757,289	2.52%	\$18,390	\$8,734,847
Nov-10	\$8,648,123	\$205,303	\$367,009	\$582,457	\$8,637,978	\$8,643,051	2.52%	\$18,150	\$8,742,852
Dec-10	\$8,637,978	\$392,268	\$1,164,044	\$1,017,404	\$9,176,886	\$8,907,432	2.52%	\$18,706	\$9,300,466
Jan-11	\$9,176,886	\$285,857	\$0	\$1,284,438	\$8,178,305	\$8,677,596	2.52%	\$18,223	\$8,320,108
Feb-11	\$8,178,305	\$138,208	\$771,193	\$1,227,918	\$7,859,788	\$8,019,047	2.52%	\$16,840	\$8,018,431
Mar-11	\$7,859,788	\$131,231	\$1,213,640	\$1,003,093	\$8,201,566	\$8,030,677	2.52%	\$16,864	\$8,377,073
Apr-11	\$8,201,566	\$108,393	\$1,815,456	\$782,749	\$9,342,666	\$8,772,116	2.52%	\$18,421	\$9,536,594
May-11	\$9,342,666	\$148,922	\$1,565,106	\$419,998	\$10,636,696	\$9,989,681	2.52%	\$20,978	\$10,851,602
Jun-11	\$10,636,696	\$154,314	\$1,130,051	\$99,639	\$11,821,422	\$11,229,059	2.52%	\$23,581	\$12,059,909
Total pre adjustment		\$2,342,955	\$9,434,085	\$7,899,286				\$238,487	-

\* Per the "MOA" of May 5, 2004 the costs will be netted against the program budget to determine the fiscal agent payments, see CEP Schedule TK-3.

\*\* Interest Rate seven year constant maturity Treasuries closest to August 31 of each year plus 60 basis points per the Board's Order in Docket No. GX99030121 et al.. [www.federalreserve.gov/releases/h15/](http://www.federalreserve.gov/releases/h15/)

Notes:

(1) Beginning Balance is the ending balance from last year's filing plus prairie period credit of \$22,730 inclusive of carrying costs credits of \$3,742.

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS  
 SOCIETAL BENEFITS CHARGE (SBC)  
 CLEAN ENERGY PROGRAM (CEP)

CEP Schedule  
 TK-3

**Fiscal Agent Payments**  
 12 Months Ended  
 June-11

<u>a</u>	<u>b</u>	<u>c</u>	<u>d</u>	<u>e = b-c+d</u>	<u>f</u>	<u>g</u>	<u>h = b-c+d-g</u>	<u>i = Cum of h</u>
Company Portion of Statewide CEP Funding	less Program Costs Offsets (1)	Prior Year Payable / (Deferred)	Fiscal Agent Payable (1)	Payment For	Amount Paid	Fiscal Agent Payable /(Deferred) Per Month (2)	Monthly Fiscal Agent Payable /(Deferred)	
<u>Prior Year Payable / ( Deferred)</u>								
Jul-10	\$620,058	\$237,722	\$672,067	\$1,054,403	May & Jun	\$672,067	\$382,336	\$382,336
Aug-10	\$617,291	\$264,109	\$0	\$353,182		\$0	\$353,182	\$735,518
Sep-10	\$568,800	\$115,972	\$0	\$452,828	Jul & Aug	\$735,519	(\$282,691)	\$452,827
Oct-10	\$709,583	\$160,656	\$0	\$548,927		\$0	\$548,927	\$1,001,754
Nov-10	\$866,361	\$205,303	\$0	\$661,058	Sep	\$367,009	\$294,049	\$1,295,803
Dec-10	\$1,275,262	\$392,268	\$0	\$882,994	Oct & Nov	\$1,164,044	(\$281,050)	\$1,014,753
Jan-11	\$1,282,288	\$285,857	\$0	\$996,431		\$0	\$996,431	\$2,011,184
Feb-11	\$1,960,656	\$138,208	\$0	\$1,822,448	Dec	\$771,193	\$1,051,255	\$3,062,439
Mar-11	\$1,712,923	\$131,231	\$0	\$1,581,692	Jan	\$1,213,640	\$368,052	\$3,430,491
Apr-11	\$1,262,448	\$108,393	\$0	\$1,154,055	Feb	\$1,815,456	(\$661,401)	\$2,769,090
May-11	\$926,461	\$148,922	\$0	\$777,539	Mar	\$1,565,106	(\$787,567)	\$1,981,523
Jun-11	\$789,709	\$154,314	\$0	\$635,395	Apr	\$1,130,051	(\$494,656)	\$1,486,867
<b>Total</b>	<b>\$12,591,840</b>	<b>\$2,342,955</b>	<b>\$672,067</b>	<b>\$10,920,952</b>		<b>\$9,434,085</b>	<b>\$1,486,867</b>	

Notes:

(1) Program Costs are on a paid basis however beginning in November 2010 the Amount Paid to the Fiscal Agent is based on accrued program costs as opposed to the paid programs costs.

(2) Fiscal Agent Payable net of current Prpgram Costs and prior month deferred offset costs if in excess of the Company's portion of the Statewide Funding. The Fiscal Agent payments are generally made in the following month.

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS  
SOCIETAL BENEFITS CHARGE (SBC)  
CLEAN ENERGY PROGRAM (CEP)

**Cost Recoveries**

12 Months Ended

June-11

	<u>Therms</u>	<u>Rate w/o tax *</u>	<u>Recovery</u>
Jul-10	26,931,476	\$0.0148	\$398,515
Aug-10	23,985,365	\$0.0148	\$354,707
Sep-10	23,659,323	\$0.0148	\$349,381
Oct-10	25,627,130	\$0.0148	\$378,987
Nov-10	39,411,378	\$0.0148	\$582,457
Dec-10	68,852,021	\$0.0148	\$1,017,404
Jan-11	87,116,184	\$0.0147	\$1,284,438
Feb-11	82,912,514	\$0.0148	\$1,227,918
Mar-11	67,858,375	\$0.0148	\$1,003,093
Apr-11	52,817,815	\$0.0148	\$782,749
May-11	28,388,129	\$0.0148	\$419,998
Jun-11	21,177,430	\$0.0047	\$99,639 **
Total	<u>548,737,140</u>		<u>\$7,899,286</u>

\* Individual customer billings at the tariff rate yields the dollars recovered, inclusive of rate proration, if any. The rate presented is derived from dividing that amount by the therms, as such rounding differences to the tariff / billing rate may result .

\*\* Note: The June 11 Recovery amount reflects LCAPP refunds from January 28th through April 30, 2011.

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS  
SOCIETAL BENEFITS CHARGE (SBC)  
CLEAN ENERGY PROGRAM (CEP)

**BPU Directed Spending \***

12 Months Ending

June-12

Jul-11	\$736,463
Aug-11	\$733,177
Sep-11	\$675,582
Oct-11	\$842,795
Nov-11	\$1,029,005
Dec-11	\$1,514,670
Jan-12	\$1,522,090
Feb-12	\$2,327,320
Mar-12	\$2,033,259
Apr-12	\$1,498,540
May-12	\$1,099,719
Jun-12	\$937,393
Total	<u>\$14,950,013</u>

\* Approved in the September 30, 2008 Board Order in Docket No. EO07030203.

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS  
CALCULATION OF THE ON-SYSTEM MARGIN SHARING CREDIT (OSMC)

October 2011 through September 2012  
Disbursement Year 2012

1	Projected OSMC Margin Contributions for Disbursement (Sch. TK-2)		\$3,616,190
2	Prior Year Balance, (Over) / Under Disbursement (Sch. TK-3 )		\$2,557,688
3	Current Year Balance, (Over) / Under Disbursement (Sch. TK-3 )		<u>(\$1,124,817)</u>
5	Total OSMC Customer Credits / (Charge) (L1+L2+L3+L4)		\$5,049,061
6	Projected Therm Volumes (Forecast Sch. TK-1 )		
	- RDS and GLS	212,195,700	
	- SGS, GDS and MFS	74,595,200	
	- LVD and EGF	<u>742,200</u>	287,533,100
7	OSMC Rate per therm, before taxes and assessment (L5/L6)		\$0.0176
8	BPU & RC Assessment Factors		<u>1.0018</u>
9	OSMC Rate, before taxes (L7*L8)		\$0.0176
10	Sales & Use Tax @ 7.00%		<u>\$0.0012</u>
11	OSM Credit / (Charge) per therm, (L9+L10)		<u><u>\$0.0188</u></u>

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

Projected Customer Portion of On-System Margin Sharing

July-2011 through June-2012  
Disbursement Year 2012

Projected Margin Contribution

Jul-11	\$298,501
Aug-11	\$313,628
Sep-11	\$282,585
Oct-11	\$308,093
Nov-11	\$332,163
Dec-11	\$353,882
Jan-12	\$296,738
Feb-12	\$272,955
Mar-12	\$280,436
Apr-12	\$297,487
May-12	\$274,732
Jun-12	\$304,990
Total	<u>\$3,616,190</u>

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS  
Margin Sharing Generated and Disbursements to Customers  
July 2010 Through June 2011

	Margin Sharing Generated	Adjustments	Net Margin Sharing for Disbursement	Disbursements to Customers Sch. TK-4	Monthly (Over) / Under Credited	Cumulative (Over) / Under Credited Balance
	a	b	c=a+b	d	e=c-d	g=prior cum bal.+ e
Prior Period						\$2,557,688
Jul-10	\$431,778	\$0	\$431,778	\$101,938	\$329,840	\$2,887,528
Aug-10	\$312,956	\$0	\$312,956	\$97,143	\$215,813	\$3,103,341
Sep-10	\$239,196	\$0	\$239,196	\$106,397	\$132,799	\$3,236,140
Oct-10	\$235,567	\$0	\$235,567	\$140,397	\$95,170	\$3,331,310
Nov-10	\$254,021	\$0	\$254,021	\$310,312	(\$56,291)	\$3,275,019
Dec-10	\$316,670	\$0	\$316,670	\$650,206	(\$333,536)	\$2,941,483
Jan-11	\$407,762	\$0	\$407,762	\$924,998	(\$517,236)	\$2,424,247
Feb-11	\$287,178	\$0	\$287,178	\$915,422	(\$628,244)	\$1,796,003
Mar-11	\$337,370	\$0	\$337,370	\$699,591	(\$362,221)	\$1,433,782
Apr-11	\$268,326	\$0	\$268,326	\$514,777	(\$246,451)	\$1,187,331
May-11	\$305,042	\$0	\$305,042	\$243,895	\$61,147	\$1,248,478
Jun-11	\$319,793	\$0	\$319,793	\$135,400	\$184,393	\$1,432,871
	<u>\$3,715,659</u>	<u>\$0</u>	<u>\$3,715,659</u>	<u>\$4,840,476</u>	<u>(\$1,124,817)</u>	

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS  
ON SYSTEM MARGIN SHARING CREDITS  
Through

ACTUAL CREDITS DISBURSED

<u>a</u>	<u>OSM</u>	<u>Sales Customers</u>		<u>Transportation Customers</u>		<u>Total</u>
	<u>Rate pre tax *</u>	<u>Therms</u>	<u>Credits</u>	<u>RDS</u>	<u>RDS</u>	
	<u>b=d/c</u>	<u>c</u>	<u>d</u>	<u>e</u>	<u>f=b*e</u>	<u>g=d+f</u>
Jul-10	\$0.0161	6,322,930	\$101,581	22,226	\$357	\$101,938
Aug-10	\$0.0161	6,013,843	\$96,763	23,613	\$380	\$97,143
Sep-10	\$0.0162	6,559,083	\$105,991	25,260	\$406	\$106,397
Oct-10	\$0.0161	8,699,009	\$139,837	35,041	\$560	\$140,397
Nov-10	\$0.0161	19,213,074	\$308,880	89,120	\$1,432	\$310,312
Dec-10	\$0.0161	40,229,093	\$646,952	202,425	\$3,254	\$650,206
Jan-11	\$0.0161	57,220,757	\$919,963	313,230	\$5,035	\$924,998
Feb-11	\$0.0161	56,608,752	\$910,283	319,702	\$5,139	\$915,422
Mar-11	\$0.0161	43,255,535	\$695,486	255,390	\$4,105	\$699,591
Apr-11	\$0.0160	31,895,353	\$511,767	187,205	\$3,010	\$514,777
May-11	\$0.0161	15,055,989	\$242,401	92,914	\$1,494	\$243,895
Jun-11	\$0.0161	8,345,562	\$134,415	61,292	\$985	\$135,400
		299,418,980	\$4,814,319	1,627,418	\$26,157	\$4,840,476

\* Individual customer billing credits at the tariff rate yields the dollars recovered, inclusive of rate proration, if any. The rate presented is derived from dividing that amount by the therms, as such rounding differences to the tariff / billing rate may result .