



Agenda Date: 07/23/14
Agenda Item: 2E

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE BOARD'S ESTABLISHMENT)	DECISION AND ORDER
OF A GENERIC PROCEEDING TO REVIEW THE)	APPROVING STIPULATION
COSTS, BENEFITS AND RELIABILITY IMPACTS OF)	
MAJOR STORM EVENT MITIGATION EFFORTS)	DOCKET NO. AX13030197
)	
)	
IN THE MATTER OF THE PETITION OF PIVOTAL)	
UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN)	
GAS FOR APPROVAL OF THE ELIZABETHTOWN)	
NATURAL GAS DISTRIBUTION UTILITY)	
REINFORCEMENT EFFORT PROGRAM AND)	
DEFERRED ACCOUNTING TREATMENT)	DOCKET NO. GO13090826

Parties of Record:

Mary Patricia Keefe, Vice President, Regulatory Affairs, Pivotal Utility Holdings, Inc.
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel
Steven S. Goldenberg, Esq., Fox Rothschild, LLP on behalf New Jersey Large Energy Users Coalition

BY THE BOARD:

The Board of Public Utilities ("Board") is empowered to ensure that regulated public utilities provide safe, adequate and proper service to the citizens of New Jersey. N.J.S.A. 48:2-23. Pursuant to N.J.S.A. 48:2-13, the Board has been vested by the Legislature with the general supervision and regulation of and jurisdiction and control over all public utilities, "so far as may be necessary for the purpose of carrying out the provisions of [Title 48]." The courts of this State have held that the grant of power by the Legislature to the Board is to be read broadly, and that the provisions of the statute governing public utilities are to be construed liberally. See, e.g. In re Public Service Electric and Gas Company, 35 N.J. 358, 371 (1961); Township of Deptford v. Woodbury Terrace Sewerage Corp., 54 N.J. 418, 424 (1969); Bergen County v. Dep't of Public Utilities, 117 N.J. Super. 304 (App. Div. 1971). The Board is also vested with the authority, pursuant to N.J.S.A. 48:2-19, to investigate any public utility, and, pursuant to N.J.S.A. 48:2-16 and 48:2-40, to issue orders to public utilities.

In 2011 and 2012 New Jersey was struck by five unusually damaging major storm events which caused severe damage to the State's utility infrastructure, Hurricane Irene on August 28, 2011, an unseasonal and powerful snowstorm on October 29, 2011, a derecho wind storm on June 20, 2012, Superstorm Sandy on October 29, 2012 and ten days later a powerful nor'easter on November 7, 2012.

On January 23, 2013, the Board issued an Order¹ ("January 23 Order") addressing five categories of potential improvements to be undertaken by New Jersey's electric distribution companies ("EDCs") in response to large-scale weather events. The areas for potential improvements include: (1) Preparedness Efforts; (2) Communications; (3) Restoration and Response; (4) Post Event; and (5) Underlying Infrastructure Issues.

In the January 23 Order, among other actions, the Board directed the EDCs to provide a detailed cost benefit analysis for a variety of utility infrastructure upgrades. The Board further required the EDCs to "carefully examine their infrastructure and use data available to determine how substations can be better protected from flooding, how vegetation management is impacting electric systems, and how Distribution Automation can be incorporated to improve reliability." January 23 Order at 56.

On March 20, 2013, the Board issued an Order² ("March 20 Order"), which initiated a generic proceeding (hereinafter "Storm Mitigation Proceeding") to investigate possible avenues to support and protect New Jersey's utility infrastructure so that it may be better able to withstand the effects of future Major Storm Events,³ and focused on a portion of the January 23 Order-Underlying Infrastructure Issues – but for all utility companies, not exclusively for the EDCs. It also invited all regulated utilities to submit detailed proposals for infrastructure upgrades designed to protect the State's utility infrastructure from future Major Storm Events, pursuant to the terms and level of detail requested in the January 23 Order, and found that all petitions filed in the future should be retained by the Board for review and hearing as authorized by N.J.S.A. 52:14F-8. March 20 Order at 3.

On or about September 3, 2013, Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas ("Elizabethtown Gas" or "Company") filed a petition with supporting testimony, schedules, and exhibits for approval of its Elizabethtown Natural Gas Distribution Utility Reinforcement Effort ("ENDURE") Program to 1) invest approximately \$15.0 million in the Company's natural gas infrastructure and related facilities and communication planning over a one (1) year period commencing on January 1, 2014 and ending December 31, 2014, to harden and protect the Company's infrastructure against damage from future major storm events and to assist the Company in developing a more robust capability to effectively communicate with customers and public officials during and after weather-related emergencies;⁴ and 2) to utilize deferred

¹ In the Matter of the Board's Review of the Utilities Response to Hurricane Irene, Order Accepting Consultants' Report and Additional Staff Recommendations and Requiring Electric Utilities to Implement Recommendations, BPU Docket No. EO11090543, January 23, 2013.

² In the Matter of the Board's Establishment of a Generic Proceeding to Review Costs, Benefits, and Reliability Impacts of Major Storm Event Mitigation Efforts, BPU Docket No. AX13030197, March 20, 2013.

³ Major Storm Event is defined as sustained impact on or interruption of utility service resulting from conditions beyond the control of the utility that affect at least 10 percent of the customers in an operating area. March 20 Order at 2.

⁴ The proposed expenditures consist of approximately \$14.9 million for infrastructure replacements and enhancements and \$100,000 for a consultant to assist the Company in developing enhanced communication capabilities.

accounting for the cost of the program in the same manner approved by the Board by Order dated August 21, 2013⁵.

Elizabethtown has represented that the natural gas infrastructure projects included in the proposed ENDURE Program, as reflected in the petition, would be incremental to its projected normal capital expenditures and would not duplicate any of the projects that have been or will be undertaken by the Company in connection with its Utility Infrastructure Enhancement and Accelerated Infrastructure Replacement programs. The proposed natural gas infrastructure projects contained in the petition included:

- (1) The replacement of approximately 600 associated meter sets located in and around a designated Federal Emergency Management Agency flood zone along with the replacement and upgrading to elevated pressure of twelve (12) miles of low pressure ("LP") cast iron main and associated facilities at a projected cost of approximately \$9.2 million;
- (2) The hardening and elevation of the building located at the Erie Street property in Elizabeth along with related work at a projected cost of \$5.4 million; and
- (3) The hardening and elevation of certain gate station facilities to protect the Supervisory Control and Data Acquisition system equipment located at these sites at a projected cost of \$275,000.

In the petition, the Company also proposed to commence a project to consider whether to expand and enhance its current communication channels to ensure that during and after Major Storm Events the Company is able to utilize available communications technologies. The Company proposed engaging a consultant at a cost of \$100,000 to assist with this process.

Public hearings were conducted in this matter, after notice, in Rahway, New Jersey on October 16, 2013 and in Flemington, New Jersey on October 22, 2013. No members of the public attended the public hearings.

By Order dated November 22, 2013, the matter was retained at the Board for hearing, and Commissioner Mary-Anna Holden was designated as the presiding Commissioner with authority to rule on all matters that arise during the proceeding, and set an appropriate schedule. On January 6, 2014, Commissioner Holden issued an Order Setting Bar Date for Motions to Intervene, Manner of Service and Preliminary Schedule. Commissioner Holden issued a prehearing order along with a procedural schedule for this matter on February 6, 2014. On January 16, 2014, the New Jersey Large Energy Users Coalition ("NJLEUC") filed a motion to participate in this matter, as well as a motion for the admission *pro hac vice* of Paul F. Forshay, Esq. On January 28, 2014, Elizabethtown filed a letter with the Board indicating that it did not oppose NJLEUC's motions. The motions were granted by Commissioner Holden on February 7, 2014. Throughout the course of this matter, the Company, the Division of Rate Counsel ("Rate Counsel") and Board staff have engaged in discovery.

⁵ In the Matter of the Petition of Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas for Approval of an Accelerated Infrastructure Replacement Program and an Associated Cost Recovery Mechanism, BPU Docket No. GO12070693, August 21, 2013.

STIPULATION

Following the review of discovery, the parties met to discuss the issues in this matter. As a result, on June 18, 2014, the Company, Rate Counsel, and Board Staff (collectively, "Signatory Parties") executed a stipulation of settlement ("Stipulation")⁶

The Stipulation provides the following⁷:

- (1) Under the ENDURE Program, Elizabethtown will invest up to \$14.9 million in incremental natural gas infrastructure and related facilities investments during the term of the program in the manner set forth in more detail in the Stipulation. The ENDURE Program shall become effective on the effective date of a Board Order approving this Stipulation.
- (2) The costs of the ENDURE Program shall be subject to the deferred accounting treatment as more fully set forth in detail in Paragraph C of the Stipulation. On or about June 1, 2015, the Company will make a filing with the Board ("June Filing") requesting authorization to make an adjustment to base distribution rates ("ENDURE Revenue Adjustment") to enable it to recover the costs associated with the ENDURE Program in an amount up to \$14.9 million plus an associated Allowance for Funds Used During Construction. The ENDURE Revenue Adjustment reflected in the June Filing will have a proposed effective date of November 1, 2015, and will reflect actual data through April 30, 2015 and projected data from May 1, 2015 through August 31, 2015.

The June Filing will be updated with actual data through August 31, 2015 by September 22, 2015 for ENDURE Program costs for projects completed and placed in service as of August 31, 2015. The Company will have the opportunity to recover any ENDURE Program costs not included in the ENDURE Revenue Adjustment in the Company's next base rate case to be filed by September 1, 2016 ("Next Base Rate Case").

- (3) The review of the prudence of all costs undertaken in the ENDURE Program will occur in the Company's Next Base Rate Case. The ENDURE Revenue Adjustment shall be provisional and subject to refund only if the Board finds that Elizabethtown imprudently incurred capital expenditures under the ENDURE Program.
- (4) Rate Counsel and Board Staff will have the opportunity to request discovery on the information provided by Elizabethtown in the June Filing. Nothing in the Stipulation will preclude any party from raising any objection in the Next Base Rate Case that could have been raised in the June Filing.
- (5) Details pertaining to the determination of ENDURE's revenue requirement and rate design are provided in Stipulation paragraphs 17 and 18, respectively.
- (6) The ENDURE Program costs will be subject to review in the Company's Next Base Rate Case. A base rate case shall be filed no later than September 1, 2016, wherein a determination of the prudence of the program's expenditures will be made.

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

⁷ NJLEUC has indicated that it will not take a position either in support of or in opposition to the Stipulation.

Elizabethtown's Next Base Rate Case filing will be based on three (3) months of actual data and nine (9) months of projected data for the test year which test year will be updated through the course of the proceeding for twelve (12) months of actual data.

- (7) The continuation of the ENDURE Program for investments in addition to that reflected in rates at the conclusion of Elizabethtown's Next Base Rate Case will be subject to review and a prudence determination of the costs incurred will be made as part of the consideration by the Board in the Next Base Rate Case or a subsequent proceeding.
- (8) The June Filing will be accompanied by the Minimum Filing Requirements set forth in Appendix B to the Stipulation.
- (9) Elizabethtown will provide a quarterly report to Board Staff and Rate Counsel in a format similar to that used for Elizabethtown's Accelerated Infrastructure Replacement Program. In addition, sixty days (60) following a Major Storm Event Elizabethtown will submit a report to Board Staff and Rate Counsel describing the Company's methods, plans and processes used before, during and after the storm, the effectiveness of these methods, plans and processes and, if applicable, where improvements may be needed.

DISCUSSION AND FINDINGS

In evaluating a proposed settlement, the Board must review the record, balance the interests of the ratepayers and the shareholders, and determine whether the settlement represents a reasonable disposition of the issues that will enable the Company to provide its customers in this State with safe, adequate and proper service at just and reasonable rates. In re Petition of Pub. Serv. Elec. & Gas, 304 N.J. Super. 247 (App. Div.), cert. denied, 152 N.J. 12 (1997). The March 20 Order found that it was appropriate to invite all regulated utilities to submit detailed proposals for infrastructure upgrades designed to protect the State's utility infrastructure from future Major Storm Events, pursuant to the terms and level of detail requested in the January 23 Order. The March 20 Order required Board Staff to review the efficacy of the measures proposed by the utilities and examine the costs to be potentially incurred by the utilities in association with efforts to protect utility infrastructure in from future Major Storm Events, as well as any potential benefits .

The Signatory Parties agree that the natural gas infrastructure, related facilities investments and associated costs proposed by the ENDURE Program are appropriate and in the public interest. The Board is persuaded that the ENDURE Program, if successfully executed, will help protect Elizabethtown's infrastructure from future Major Storm Events. The program provides for reporting by the Company and oversight by Staff and Rate Counsel, with improvements to be made where found to be needed based on the effectiveness of the methods, plans and processes used by the Company before, during and after a qualifying event. Based on the Board's review of the petition and Stipulation, Board is persuaded that the current proposal satisfies those goals as well as the directives contained in the March 20 Order.

While the petition had requested deferred cost recovery on the facilities when placed in service with incorporation into rates awaiting until the next base rate case, the Stipulation provides for the rate recovery to occur before the next base rate case, on a provisional basis, for those facilities placed in service without deferred cost recovery. The Board concludes that the method outlined in the Stipulation provides for a better match between costs incurred and impacts on

customers than the deferred cost recovery originally proposed by the Company. These costs will be subject to review for reasonableness and prudence in the base rate case that Company has agreed to file on or before September 1, 2016.

Based on the Board's careful review and consideration of the record in this proceeding, the Board **HEREBY FINDS** the Stipulation to be reasonable and in accordance with the law, striking an appropriate balance between the needs of customers and of the Company.

Accordingly, the Board **HEREBY ADOPTS** the Stipulation in its entirety, and **HEREBY INCORPORATES** its terms and conditions as though fully set forth herein.

The Board **HEREBY RATIFIES** the decisions of Commissioner Holden rendered during the proceedings for the reasons stated in her Orders.

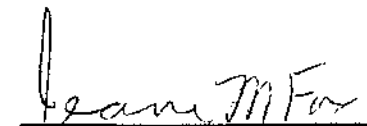
The Company's costs will remain subject to audit by the Board. This Decision and Order shall not preclude, nor prohibit, the Board from taking any actions determined to be appropriate as a result of any such audit.

This Order shall be effective on August 1, 2014.

DATED: 7/23/14

BOARD OF PUBLIC UTILITIES
BY:


DIANNE SOLOMON
PRESIDENT


JEANNE M. FOX
COMMISSIONER

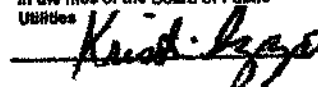

JOSEPH L. FIORDALISO
COMMISSIONER


MARY-ANNA HOLDEN
COMMISSIONER

ATTEST:

KRISTI IZZO
SECRETARY

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



IN THE MATTER OF THE PETITION OF PIVOTAL UTILITY HOLDINGS, INC. d/b/a
ELIZABETHTOWN GAS FOR APPROVAL OF THE ELIZABETHTOWN NATURAL GAS
DISTRIBUTION UTILITY REINFORCEMENT EFFORT PROGRAM AND DEFERRED
ACCOUNTING TREATMENT

Docket Nos. AX13030197 & GO13090826

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**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 For : Docket No. GO13090826
Approval Of The Elizabethtown Natural gas :
Distribution Utility Reinforcement Effort Program :
and Deferred Accounting Treatment : FINAL STIPULATION
-----X

APPEARANCES:

Deborah M. Franco and Kenneth T. Maloney (Cullen and Dykman LLP), Attorneys for the Petitioner, Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas
Mary Patricia Keefe, Vice President for Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas

Felicia Thomas-Friel, Esq., Managing Attorney, **Henry M. Ogden, Esq.**, Assistant Deputy Rate Counsel, New Jersey Division of Rate Counsel (**Stefanie Brand, Esq.**, Director)

Alex Moreau, Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (**John J. Hoffman**, Acting Attorney General of New Jersey)

BACKGROUND

1. On September 3, 2013, Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas ("Elizabethtown" or "Company") filed a petition ("September 3 Petition") in response to the Board's March 20, 2013 Order issued in BPU Docket No. AK13030197 which invited the submission of proposals for infrastructure upgrades designed to protect the State's utility infrastructure from future "major storm events". In the September 3 Petition, the Company sought to (i) implement the Elizabethtown Natural gas Distribution Utility Reinforcement Effort ("ENDURE") Program to invest approximately \$15.0 million in Petitioner's natural gas infrastructure and related facilities and communication planning over a one year period commencing on January 1, 2014 and ending December 31, 2014 to harden and protect the Company's infrastructure against damage from future major storm events and to assist Petitioner

in developing a more robust capability to effectively communicate with customers and public officials during and after weather-related emergencies;¹ and (ii) utilize deferred accounting for the cost of the program in the same manner approved by the Board in an August 21, 2013 Order (“August 21 Order”) issued in BPU Docket No. GO12070693. The September 3 Petition was accompanied by the testimony and supporting schedules of Brian MacLean, Petitioner’s Vice President of Operations, Michael Scacifero, Petitioner’s Director of Engineering Services and Thomas Kaufmann, Petitioner’s Manager of Rates and Tariffs.

2. In 2011 and 2012 New Jersey experienced several major storm events, including Hurricane Irene, the October 2011 snow storm and Superstorm Sandy. These weather events resulted in many New Jersey residents losing utility service and caused unprecedented damage to the state’s utility infrastructure. As stated in the September 3 Petition, Elizabethtown’s natural gas distribution system experienced varying degrees of damage and service interruption as a result of the major storm events of 2011 and 2012, the most significant damage resulting from Hurricane Irene and Superstorm Sandy.

3. Since 2009, the Company has undertaken numerous accelerated investments in gas distribution infrastructure-related projects that are outside Elizabethtown’s normal capital budget in order to increase and enhance the safety, reliability and integrity of the Company’s natural gas distribution facilities. These projects are listed in Appendix A attached to this Stipuation. These projects were undertaken pursuant to two Board-approved programs: the Utility Infrastructure Enhancement (“UIE”) Program approved by the Board in BPU Docket Nos. EO09010049, GO09010053 *et al.* GR12100951 and GR11060360 and the Accelerated Infrastructure Replacement (“AIR”) Program approved by the Board in BPU Docket No.

¹ The proposed expenditures consisted of approximately \$14.9 million for infrastructure replacements and enhancements and \$100,000 for a consultant to assist the Company in developing enhanced communication capabilities.

GO12070693. The design of each of these programs occurred before the recent focus on storm hardening and neither was intended to address these specific concerns.

4. Consequently, by the September 3 Petition, Elizabethtown proposed to implement the ENDURE Program to harden its natural gas distribution system and related facilities so that they will be less susceptible to storm damage and to develop a plan to expand and enhance its communication capabilities to ensure the timely distribution of storm information to customers, the Board and public officials.

5. The natural gas infrastructure projects included in the proposed ENDURE Program as reflected in the September 3 Petition would be incremental to Petitioner's projected normal capital expenditures and would not duplicate any of the projects that have been or will be undertaken by Petitioner in connection with Petitioner's UIE and AIR programs. The proposed natural gas infrastructure projects contained in the September 3 Petition included:

(a) The replacement of approximately 600 associated meter sets located in and around a designated Federal Emergency Management Agency ("FEMA") flood zone along with the replacement and upgrading to elevated pressure of 12 miles of low pressure ("LP") cast iron main and associated facilities at a projected cost of approximately \$9.2 million;

(b) the hardening and elevation of the building located at the Erie Street property in Elizabeth along with related work at a projected cost of \$5.4 million; and

(c) the hardening and elevation of certain gate station facilities to protect the SCADA system equipment located at these sites at a projected cost of \$275,000.

In the September 3 Petition, the Company also proposed to commence a project to consider whether to expand and enhance its current communication channels to ensure that during and after major storm events, the Company is able to utilize available communications

technologies. That plan involved engaging a consultant at a cost of \$100,000 to assist with this process.

6. As explained in the September 3 Petition, the proposed ENDURE Program was designed to be consistent with the Board's objective to protect the New Jersey utility infrastructure from the hazards of major weather events as stated in the March 20 Order. As the September 3 Petition also explained, the ENDURE Program may have the added benefit of fostering economic development and job growth in New Jersey because the program could likely create jobs for the contractors who will perform the infrastructure replacements. The September 3 Petition further explained that the ENDURE Program could have the potential to permit the Company to avoid extraordinary storm costs in the future and effectuate the replacement of aging facilities in a cost effective manner.

7. The September 3 Petition also proposed to utilize deferred accounting to account for the actual costs associated with the proposed ENDURE Program. The accounting treatment proposed in the September 3 Petition is the same as that presently in place and approved by the Board in the August 21 Order concerning Petitioner's AIR program. Specifically, the September 3 Petition proposed that it be permitted to seek to recover the actual costs of the ENDURE Program, including all deferred amounts, through base rates in a base rate case to be filed no later than September 1, 2016.

PROCEDURAL HISTORY

8. On January 16, 2014, the New Jersey Large Energy Users Coalition ("NJLEUC") filed a Motion to Participate in this proceeding. On January 28, 2014, Elizabethtown filed a letter with the Board indicating that it did not oppose NJLEUC's request. The Board approved the NJLEUC motion by order dated February 7, 2014.

9. Duly noticed public hearings regarding the September 3 Petition were held on October 16, 2013 in Rahway, New Jersey and on October 22, 2013 in Flemington, New Jersey. No members of the public attended these public hearings.

10. Extensive discovery has been propounded and answered in this proceeding and Board of Public Utilities Staff ("Staff"), the Division of Rate Counsel ("Rate Counsel") and Elizabethtown have engaged in duly noticed discussions to address the resolution of the September 3 Petition. As a result, Staff, Rate Counsel and Elizabethtown ("Stipulating Parties") have reached this Stipulation which is intended to resolve all issues associated with the September 3 Petition.

STIPULATED MATTERS

The Stipulating Parties hereby **STIPULATE AND AGREE** as follows:

A. ENDURE Program

11. Under the ENDURE Program, Elizabethtown will invest up to \$14.9 million, exclusive of the cost of removal, in incremental natural gas infrastructure and related facilities investments during the term of the program as follows:

(a) The replacement and upgrading to elevated pressure of approximately 12 miles of low pressure ("LP") cast iron main and associated facilities located within a designated FEMA flood zone at a projected cost of approximately \$9.2 million; this project will include costs related to the relocation of the meter, but not the cost of the meter equipment;

(b) the relocation, elevation and hardening of the building located at the Erie Street property in Elizabeth along with related work at a projected cost of \$5.4 million; and

(c) the hardening and elevation of three gate station facilities to protect the SCADA system equipment located at these sites at a projected cost of \$275,000.

12. Under the ENDURE Program, Elizabethtown will be permitted to spend up to \$100,000 to engage a consultant during the term of the program to assist the Company with evaluating the need to expand and enhance its current communications channels during major storm events.

B. Effective Date and Term of ENDURE Program

13. The ENDURE Program shall become effective on the effective date of a Board order approving this Stipulation.

C. Cost Recovery

14. On or about June 1, 2015, the Company will make a filing with the Board ("June Filing") requesting authorization to make an adjustment to base distribution rates ("ENDURE Revenue Adjustment") to enable Elizabethtown to recover the costs associated with the ENDURE Program in an amount up to \$14.9 million plus an associated Allowance for Funds Used During Construction ("AFUDC"). As set forth further below, the ENDURE Revenue Adjustment reflected in the June Filing will have a proposed effective date of November 1, 2015 and will reflect actual data through April 30, 2015 and projected data from May 1, 2015 through August 31, 2015. The June Filing will be the basis for public notices and public hearings.

The June Filing will be updated with actual data through August 31, 2015 by September 22, 2015 for ENDURE Program costs for projects completed and placed in service as of August 31, 2015. The Company will have the opportunity to recover any ENDURE Program costs not included in the ENDURE Revenue Adjustment in the Company's next base rate case to be filed by September 1, 2016 ("Next Base Rate Case").

15. The review of the prudence of all projects undertaken in the ENDURE Program will not take place in the proceedings involving the June Filing. Instead the ENDURE Program

costs will be subject to prudence review in the Company's Next Base Rate Case. The ENDURE Revenue Adjustment shall be provisional and subject to refund only if the Board finds that Elizabethtown imprudently incurred capital expenditures under the ENDURE Program.

16. Rate Counsel and Board Staff will have the opportunity to request discovery on the information provided by Elizabethtown in the June Filing. Nothing herein will preclude any party from raising in the Next Base Rate Case any objection that could have been raised in the June Filing.

17. The revenue requirement for the ENDURE Revenue Adjustment shall be calculated as follows:

Definitions:

ENDURE Program Costs – All qualifying ENDURE Program capital expenditures, including actual costs of engineering, design and construction, and property acquisition, including actual labor, materials, overhead, plus capitalized AFUDC associated with the projects ("ENDURE Program Costs"), will be recovered through an adjustment to base distribution rates ("ENDURE Revenue Adjustment"). The ENDURE Program Costs will be recorded, during construction, in a Construction Work in Progress ("CWIP") account or a Plant in Service account upon the respective project being deemed used and useful. The Endure Program costs will be determined in a manner consistent with the Company's current policies and practices with regard to capitalizing costs, including overheads.

Net Investment – Is equal to the ENDURE Program Costs that have been placed in service less the associated accumulated depreciation less accumulated deferred income taxes.

Weighted Average Cost of Capital ("WACC") – Although Elizabethtown's authorized return on equity ("ROE") is 10.3%, Elizabethtown agrees that the return on the incremental

investments undertaken in the ENDURE Program at issue in this proceeding shall be at a weighted average cost of capital using a 5.00% cost of long-term debt and a 1.16% cost of short-term debt as of March 31, 2014 and a 9.75% return on common equity. The portions of debt and equity in the capital structure shall be those underlying its current base rates as determined in the Company's last base rate case approved by Board order dated December 17, 2009 in BPU Docket No. GR09030195 ("2009 Base Rate Case") (Long-Term Debt: 45.10%, Short-Term 7.01%, Equity: 47.89%). This results in a WACC of 7.01%² or 6.05% on an after tax basis.

The ENDURE Revenue Adjustment will be calculated using the following formula:

Revenue Requirement = ((ENDURE Program Rate Base at August 31, 2105 * After-Tax WACC) + Annual Depreciation Expense (net of tax) + Tax Adjustments) * Revenue Factor³

ENDURE Program Rate Base – The ENDURE Program Rate Base will be calculated as Plant in Service, CWIP transferred into service and associated AFUDC, less accumulated depreciation and less associated accumulated deferred income taxes. AFUDC will be calculated using the same methodology used for current distribution assets consistent with the Company AFUDC policy and permitted by the Federal Energy Regulatory Commission.

Depreciation Expense – Depreciation expense will be calculated based upon the Company's depreciation methodology using a composite depreciation rate of 1.65%. The Company will begin to depreciate an ENDURE Program asset once it goes into service.

Tax Adjustments – Includes the effects of any flow through items and any tax law changes codified by the Internal Revenue Service, the State of New Jersey or any other taxing authority.

² When calculating a Revenue Requirement using a Pre-tax WACC only the weighted cost of common equity of the WACC is to be grossed up for income taxes using the Revenue Factor to properly reflect the tax deductibility of interest expense.

³ The use of the after-tax WACC rate of return recognizes the tax deductibility of interest when the Revenue Factor is applied in deriving the Revenue Requirement.

Revenue Factor – The Company will apply a Revenue Factor of 1.71656.

Cost of Removal – The revenue requirement will not include an expense for the recovery of the Cost of Removal except to the extent it is embedded in the depreciation rate; however the revenue requirement will include a return on the Cost of Removal of investment.

Operation & Maintenance (“O&M”) Expenses – O&M expenses associated with the ENDURE Program will not be included, nor will such costs be deferred.

D. Rate Design

18. The revenue requirement associated with the ENDURE Revenue Adjustment will be recovered through a uniform percentage increase in base rate revenues to the following firm service classifications: RDS, SGS, GDS, LVD, EGF, GLS, FTS and Firm Special Contract Customers. The base rates that are revised as a result of the ENDURE Revenue Adjustment will be calculated utilizing the billing determinants and assessments underlying the rates established in the 2009 Base Rate Case and will be adjusted for applicable taxes. In accordance with the Company’s currently effective tariff, the Margin Revenue Factor of the Weather Normalization Clause shall be redetermined for the revised base rates to reflect the ENDURE Revenue Adjustment.

E. Rate Case Filing

19. The ENDURE Program costs will be subject to review in Elizabethtown’s Next Base Rate Case. A base rate case shall be filed no later than September 1, 2016, wherein a determination of the prudence of the program’s expenditures will be made.

20. Elizabethtown’s Next Base Rate Case filing will be based on three (3) months of actual data and nine (9) months of projected data for the test year which test year will be updated through the course of the proceeding for twelve (12) months of actual data.

21. The continuation of the ENDURE Program for investments in addition to that reflected in rates at the conclusion of Elizabethtown's Next Base Rate Case will be subject to review and a prudence determination of the costs incurred will be made as part of the consideration by the Board in that rate case or a subsequent proceeding.

F. Minimum Filing Requirements

22. The June 1, 2015 ENDURE Revenue Adjustment filing will be accompanied by the Minimum Filing Requirements set forth in Appendix B.

G. Reporting Requirements

23. Elizabethtown will provide a quarterly report to Board Staff and Rate Counsel in a format similar to that used for Elizabethtown's AIR program. A sample copy of the quarterly report to be used for Elizabethtown's ENDURE Program is attached as Appendix C. In addition, sixty days (60) following a "major storm event" Elizabethtown will submit a report to Staff and Rate Counsel describing the Company's methods, plans and processes used before, during and after the storm, the effectiveness of these methods, plans and processes and, if applicable, where improvements may be needed. A "major storm event" is as defined in the March 20 Order, meaning a "sustained impact on or interruption of utility service; resulting from conditions beyond the control of the utility, which may include, but are not limited to, thunderstorms, tornadoes, hurricanes, heat waves, snow and ice storms; which affects at least 10 percent of the customers in an operating area; and due to a utility's documentable need to allocate field resources to restore service to affected areas when one operating area experiences a major storm event, the major storm event shall be deemed to extend to those other operating areas of that utility which are providing assistance to the affected areas."

H. Further Provisions

24. This Stipulation is intended to resolve all issues regarding the September 3 Petition. This Stipulation represents a mutual balancing of interests and, therefore, is intended to be accepted and approved in its entirety. In the event the Board does not adopt this Stipulation in its entirety in an Order, then any Stipulating Party hereto is free to pursue its then-available legal remedies with respect to all issues in this Stipulation as though this Stipulation had not been signed.

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

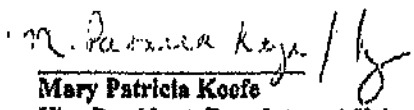
26. This Stipulation represents a negotiated agreement and the Stipulating Parties consider this Stipulation binding on them for all purposes herein.

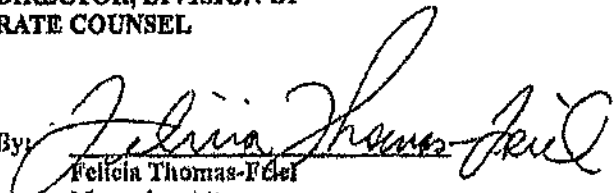
27. Except as expressly provided herein, Elizabethtown, Board Staff or Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein. This Stipulation shall not be cited as precedent except for the purpose of enforcing its terms. All rates remain subject to audit by the Board.

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

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

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

By: 
**Mary Patricia Koofs
Vice President, Regulatory Affairs
and Assistant Corporate Secretary**

By: 
**Felicia Thomas-Fidel
Managing Attorney**

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

By: 
Alex Maronu, DAG

Dated: 6/18, 2014

Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas
Summary of Accelerated Investments Infrastructure Projects
As of March 31, 2014

<u>Program</u>	<u>Footage Replaced</u>	<u>Cost (Mil.)</u>
<u>UIE I and II</u>		
EP (cast iron)	135,420	\$45.1
LP (cast iron)	192,342	24.2
ERW* (steel)	23,500	7.4
Interconnects		26.5
Upgrading Project		<u>4.3</u>
Total	<u>351,262</u>	<u>\$107.5</u>
 <u>AIR</u>		
EP (cast iron)	4,614	\$ 1.7
LP (cast iron)	83,118	7.0
ERW* (steel)	<u>-</u>	<u>.3</u>
Total	<u>87,732</u>	<u>\$ 9.0</u>
Total	438,994	\$116.5

**Pre-1971 ERW Transmission Steel Replacement*

APPENDIX B

MINIMUM FILING REQUIREMENTS

- 1) Elizabethtown's income statement for the most recent 12 month period, as filed with the BPU.
- 2) Elizabethtown's balance sheet for the most recent 12 month period, as filed with the BPU.
- 3) Elizabethtown's overall approved ENDURE Program capital budget broken down by major categories, both budgeted and actual amounts.
- 4) For each ENDURE Program subprogram:
 - a. The original project summary for each ENDURE subprogram;
 - b. Expenditures incurred to date.
 - c. Appropriate metric (e.g., miles of main replaced, relays installed, etc.)
- 5) Anticipated subprogram timeline with updates and expected changes.
- 6) A calculation of the proposed rate adjustment based on details related to ENDURE Program projects included in Plant in Service.
 - a. A calculation of the associated depreciation expense, based on those projects closed to Plant in Service during the period.
- 7) A list of any and all funds or credits received from the United States government, the State of New Jersey, a county or a municipality, for work related to any of the ENDURE Program projects, such as relocation, reimbursement, or stimulus money.
 - a. An explanation of the financial treatment associated with the receipt of the government funds or credits.
- 8) A revenue requirement calculation showing the actual capital expenditures for the period for which the filing is made, as well as supporting calculations.

Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas
Quarterly Report on Capital Expenditures and Job Creation in Connection with the ENDURE Program as of _____

AFE #	Contractor	Proposed Infrastructure Project	Major Tasks	Project Type	Est. Ft. of Main To Be Abandoned*	Actual Ft. of Main Abandoned	Est. Ft. of Main To Be Replaced*	Actual Ft. of Main Replaced To Date	% of Main Replaced To Date	Total Estimated Cost*	Actual Cost To Date	% of Cost To Date	In-Service Date	All Pipe Work Completion Date	Restoration Completion Date
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
		High St, Cranford		LP	5,857		6,477		0.0%	\$ 809,825		0.0%			
		Forest Ave and N Union Ave, Cranford		LP	6,532		4,696		0.0%	\$ 587,000		0.0%			
		Henring Ave, Cranford		LP	7,388		6,382		0.0%	\$ 797,750		0.0%			
		Central Ave and Orange Ave, Cranford		LP	8,116		5,961		0.0%	\$ 743,875		0.0%			
		Willow St, Cranford		LP	1,961		4,317		0.0%	\$ 647,550		0.0%			
		W Holly St, Cranford		LP	4,555		3,935		0.0%	\$ 491,875		0.0%			
		Springfield Ave and Eastman St, Cranford		LP	7,212		4,242		0.0%	\$ 742,350		0.0%			
		North Ave, Cranford		LP	2,782		3,985		0.0%	\$1,195,500		0.0%			
		Front St (Marshall St to Elizabeth River), Elizabeth		LP	2,072		1,910		0.0%	\$ 334,250		0.0%			
		W 12th St, Linden		LP	1,126		560		0.0%	\$ 112,000		0.0%			
		Water St and Front St, Perth Amboy		LP	6,888		7,670		0.0%	\$1,150,500		0.0%			
		River St and W Scott Ave, Rahway		LP	4,290		5,588		0.0%	\$ 698,500		0.0%			
		E Milton Ave (Essex St to Park St), Rahway		LP	3,545		2,054		0.0%	\$ 359,450		0.0%			
		Main St, Rahway		LP	394		0		0.0%	\$ 40,000		0.0%			
		Woodbridge Ave and S Robert St, Sewaren		LP	3,531		4,336		0.0%	\$ 542,000		0.0%			
		LP Subtotal			66,169	0	62,103	0	0.0%	\$9,252,225	\$0				
				(m)	12.5	0	11.8	0							

* Estimated footages and cost to be revised prior to project going to construction.

Notes: Column (d) - Major tasks to be completed (e.g. planning, design, pre-construction, construction etc.)
 Column (f,g,h & i) - Support Schedules for breakout of footage by material type and diameter to be provided quarterly
 Column (n) - In Service Date represents the date when gas is introduced into the new replacement main

Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas
Quarterly Report on Capital Expenditures and Job Creation in Connection with ENDURE Program
 as of _____

Annual Period	Jobs Created To Date	ENDURE Budget		Other Non-ENDURE Capital Expenditures	
		Budgeted Yearly Spending	Actual Spending-To-Date	Budgeted Spending To-Date	Actual Spending-To-Date
2014-2015					

Notes:

Jobs Created = ENDURE Hours reported divided by 1,820 hours per FTE

ENDURE Budgeted Spending represents total estimated spending for the 12 month period ending _____.
 ENDURE Actual Spending-To-Date represents spending beginning as of _____, date of the Board Order in Dkt. No. GO13090826

Other Non-ENDURE Capital spending represents normal capital spending and does not include any spending associated with the ENDURE Program