



Elizabethtown Gas™

An AGL Resources Company

300 Connell Drive, Suite 3000
Berkeley Heights, NJ 07922

908 289 5000 phone
www.elizabethtowngas.com

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NJ BPU
MAILROOM

Via FedEx & Electronic Mail

October 6, 2014

Kristi Izzo, Secretary
State of New Jersey
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350

REC'D
2014 OCT 7 PM 1 51
NJ BPU
CASE MANAGEMENT

Re: *In The Matter Of The Petition Of Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas To Revise The Remediation Adjustment Clause Component Of Its Societal Benefits Charge Rate – BPU Docket No. GR 14101135*

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 revise the Remediation Adjustment Clause (“RAC”) component of the Societal Benefits Charge (“SBC”) rate. Attached to and made part of the Petition are the testimonies and supporting schedules of Company witnesses Thomas Kaufmann and Steven L. Cook, marked as exhibit numbers P1 and P-2, respectively.

The RAC 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 Universal Service Fund (“USF”) component, and (4) the Lifeline component. The SBC charge is applicable to all customers, with the exception of those exempt from

CMS
LEGAL
DAG
RPA

B. TYNELL
J. MAY
S. Sumliner
H. Rich

M. Lupo
ENERGY (TOG)
R. Schulthess

Kristi Izzo, Secretary
October 6, 2014

the charge pursuant to the Long-Term Capacity Agreement Pilot Program legislation enacted on January 28, 2011.

Petitioner is not proposing changes to the CEP, USF or Lifeline rates in this filing. On June 20, 2014, the Company filed to change the USF and Lifeline rates effective October 1, 2014 in Docket No. ER14060613. These rates were approved by a Board Order dated September 30, 2014. On July 18, 2014 in Docket No. GR14070755, the Company filed to revise its CEP rate effective October 1, 2014. This filing is currently pending.

Elizabethtown proposes to increase its currently effective RAC rate from \$0.0229 per therm to \$0.0246 per therm, effective December 1, 2014. Elizabethtown's current SBC rate for the RAC was approved by the Board's December 18, 2013 Order with an effective date of January 1, 2014 in Docket No. GR12100936. The Company's RAC annual reconciliation filing for the 2012-2013 period filed in BPU Docket No. GR13090839 remains pending before the Board. The proposed RAC rate is designed to enable Elizabethtown to recover approximately \$11.0 million during the period ending September 30, 2015. A comparison of the components of the SBC reflecting the current rates and the proposed RAC rate is as follows:

	<u>Current Rate</u>	<u>Proposed Rate</u>
CEP	\$0.0385 per therm	\$0.0385 per therm
RAC	\$0.0229 per therm	\$0.0246 per therm
USF	\$0.0110 per therm	\$0.0110 per therm
<u>Lifeline</u>	<u>\$0.0059 per therm</u>	<u>\$0.0059 per therm</u>
TOTAL	\$0.0783 per therm	\$0.0800 per therm

Kristi Izzo, Secretary
October 6, 2014

Total Customer Impact

The proposed adjustment to the RAC rate would increase the monthly bill of a typical residential heating customer using 100 therms by \$0.17, from \$100.65 to \$100.82, or an increase of 0.2%, 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,



Mary Patricia Keefe, Esq.
Vice President, Regulatory Affairs

cc: Richard S. Mroz, President
Upendra J. Chivukula, Commissioner
Joseph L. Fiordaliso, Commissioner
Mary-Anna Holden, Commissioner
Dianne Solomon, Commissioner
Paul Flanagan, Executive Director
Kenneth J. Sheehan, Chief of Staff
Jerome May, Director, Division of Energy
Robert Schultheis, Division of Energy
Stefanie A. Brand, Director, Rate Counsel
Alex Moreau, DAG
Deborah M. Franco
Service List

**IN THE MATTER OF THE PETITION OF
PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS
TO REVISE THE REMEDIATION ADJUSTMENT CLAUSE COMPONENT
OF ITS SOCIETAL BENEFITS CHARGE RATE
BPU DOCKET NO. GR _____**

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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 To Revise : **Docket No. GR**
The Remediation Adjustment Clause Component :
Of Its Societal Benefits Charge Rate : **SUMMARY SHEET**
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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 Remediation Adjustment Clause ("RAC") component of the Societal Benefits Charge ("SBC") rate. The Petition proposes that Petitioner's RAC rate be increased from \$0.0229 per therm to \$0.0246 per therm effective December 1, 2014. The proposed filing would increase the monthly bill of a typical residential heating customer using 100 therms by \$0.17 or 0.2%.

**PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS
REMEDATION ADJUSTMENT CLAUSE ("RAC") FILING
MINIMUM FILING REQUIREMENTS (MFR) INDEX**

Minimum Filing Requirements	Schedule
1. Please provide a vendor listing for the prior RAC period that contains information concerning vendor expenditures by MGP site, also showing a description of the services provided and the amount of each vendor invoice. The vendor list should include the monthly actual expenditures for the twelve month RAC period.	SLC-2
2. Identify the three MGP sites with the highest level of expenditures during the prior RAC period. For each identified site, provide a copy of the latest work plan, remediation report, or major work product submitted to the NJDEP. The copies should include the narrative portion of the report or work plan but need not include the technical supporting workpapers, charts and tables.	SLC-2
3. For each of the same three MGP sites, provide all correspondence between the Company and the NJDEP concerning submissions for the site, reply comments, and other major items which have a material impact on remediation activities and associated costs incurred by the Company. The correspondence should span the twelve months of the most recent RAC period.	SLC-2
4. For each of the same three MGP sites, provide expense documentation for any contractor or supplier whose invoices for the RAC period exceed \$250,000 in aggregate. The expense documentation should include descriptions of services rendered, applicable invoices, and any tracking of invoiced charges vs. budgets. The expense detail need not include expense reports or time sheets, but it should include supporting documentation for any subcontractor and third party expenses totaling \$100,000 or more for the period.	SLC-2 Confidential
5. For each of the same three MGP sites, provide a narrative description and organization chart for that site, showing the vendors and project control structure for the remediation effort. The response should show what entities supervise all significant contractors and subcontractors and which Company personnel are involved in site and remediation supervision and control.	SLC-2
6. Provide a detailed narrative describing Company activities and any reimbursements related to insurance claims or potentially responsible parties' liabilities for all of the Company's MGP sites. The narrative, with supporting documentation, should cover the prior RAC period. In addition, the Company should provide a listing of all insurance reimbursements received from each insurance company through the end of the year covered by the filing, but need not disclose any insurance company's identity.	SLC-2
7. Provide copies of any RAC audit reports or related materials prepared by the Board's Audit Staff, FERC, or the Company's internal or external auditors during the previous twelve months. To the degree applicable, please also provide any materials prepared in response to the audits or in compliance with any audit findings.	SLC-2 Confidential
8. Provide a narrative concerning all material events, whether related to NJDEP mandates or not, which could have an impact on the Company's ultimate MGP remediation liability, with claimed confidential information	SLC-2

**PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS
REMEDATION ADJUSTMENT CLAUSE ("RAC") FILING
MINIMUM FILING REQUIREMENTS (MFR) INDEX**

Minimum Filing Requirements	Schedule
provided pursuant to a confidentiality agreement. The narrative should encompass all sites, whether or not active remediation efforts on the site are under way.	
9. Provide schedules and supporting workpapers and documents, which show the reconciliation of the prior period RAC expenditures and recoveries as well as the derivation of the deferred tax credit and the interest accrual on any unamortized balances.	TK-2
10. Provide the Company's bid evaluation studies, reports, workpapers or other material related to the two largest MGP remediation contracts awarded during the previous RAC period. The response should include the criteria utilized for bid evaluation and the comparisons between the terms and conditions offered by the competitive bidders.	SLC-2 Confidential
11. Provide documentation relating to the two largest supplemental contract amendments authorized by the Company during their previous RAC period. The response should provide the contractor's request for supplemental funding, the reasons cited for the request, and the Company's evaluation and action taken concerning the request.	SLC-2 Confidential
12. Provide documentation relating to any instances during the previous RAC period where the Company sought to modify, change, or eliminate the NJDEP site remediation requirements for any of its MGP sites. The response should provide copies of any such Company requests, the NJDEP responses, and the ultimate outcome concerning the requests.	SLC-2
13. Provide a calculation of the carrying costs that the Company seeks to recover in its filing, including workpapers and supporting documentation.	TK-3
14. The Company currently provides a schedule that summarizes the expenditures incurred by major cost category by site on a quarterly basis. These data will be reported with its annual filing.	SLC-2
15. For each of the Company's MGP sites, provide a schedule showing the status of the remediation effort and estimated dates for the completion of remaining milestones, along with a discussion of major remediation problems. The parties understand that the timeframes to complete the remediation efforts are subject to a great deal of uncertainty due to factors beyond the Company's control.	SLC-2
16. Provide an update concerning the status of discussions with the NJDEP concerning its NRD initiative as well as any other NRD-related activities, with claimed confidential information provided pursuant to a confidentiality agreement. Such update will include information about NRD-related expenditures during the prior RAC period and related documentation, as well as total NRD-related expenses deferred to date.	SLC-2
17. Provide information about unreasonable delays in remediation efforts caused by the inability to obtain requisite approvals, clearances or other rights from the NJDEP, local authorities or property owners, or other circumstances that are unduly impeding remediation efforts. The Company will address issues that are outside of the ordinary experience for these matters.	SLC-2

**PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS
REMEDICATION ADJUSTMENT CLAUSE ("RAC") FILING
MINIMUM FILING REQUIREMENTS (MFR) INDEX**

Minimum Filing Requirements

Schedule

18. Provide details concerning all remediation related charges to the Company from or through AGLR and its affiliates for the past RAC period. The response should show amounts by month, by entity, and should describe the nature of services provided.	SLC-2
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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 To Revise The : **Docket No. GR**
Remediation Adjustment Clause Component Of Its :
Societal Benefits Charge Rate : **PETITION**
-----X

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
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Tel No. (516) 357-3878
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dfranco@cullydyk.com

3. Petitioner is engaged in the business of transmission and distribution of natural and mixed gas to approximately 280,000 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 rate associated with Petitioner's Remediation Adjustment Clause ("RAC") component of the Societal Benefits Charge ("SBC") and to reconcile costs and cost recoveries associated with the clause for the period in which the clause is 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 supporting the tariff sheets and the derivation of the proposed RAC rate are attached and referred to in Exhibit P-1:

- (a) Tariff Schedule TK-1, consists of revised tariff sheets in clean and redlined form;
- (b) Forecast Schedule TK-1; and
- (c) RAC Schedule TK-1 through RAC Schedule TK-6.

6. Also annexed hereto and made a part of this Petition is Exhibit P-2, which Petitioner suggests be marked as indicated. Exhibit P-2 is the testimony of Steven L. Cook, Manager of Environmental Programs for Petitioner. The following schedules are included with Mr. Cook's testimony:

- (a) Schedule SLC-1 through Schedule SLC-2.

7. In a September 22, 2011 Board Order in BPU Docket Nos. GR07080645, GR08090836 and GR09080651 concerning the reconciliation of Petitioner's SBC for the 2006-2007, 2007-2008 and 2008-2009 periods, it was agreed that Petitioner would provide information responsive to certain minimum filing requirements ("MFRs") as part of future filings to reconcile its RAC rate. An Index to the MFRs is included with this Petition. As noted in the MFR Index, some of the MFR information being provided by the Company is deemed confidential and as such will be redacted and provided to those parties executing a mutually acceptable confidentiality agreement entered into subsequent to the filing of this Petition.

The RAC Component of the SBC Rate

8. 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. Petitioner is not proposing changes to the CEP, USF or Lifeline rates in this filing. The SBC charge is applicable to all customers, with the exception of those exempt from the charge pursuant to the Long-Term Capacity Agreement Pilot Program legislation enacted on January 28, 2011.

9. On June 20, 2014, the Company filed to change the USF and Lifeline rates effective October 1, 2014 in Docket No. ER14060613. These rates were approved by a Board Order dated September 30, 2014. On July 18, 2014 in Docket No. GR14070755, the Company filed with the Board to revise its CEP rate effective October 1, 2014. This filing is currently pending.

10. Petitioner’s current RAC rate of \$0.0229 per therm was approved by the Board in a December 18, 2013 Order authorizing that rate to become effective January 1, 2014 in Docket No. GR12100936. Petitioner’s RAC rate reconciliation filing for the 2012-2013 period remains pending before the Board in BPU Docket No. GR13090839.

11. Petitioner is proposing to increase its current RAC rate of \$0.0229 to \$0.0246 per therm effective December 1, 2014. Petitioner’s accounting for RAC-related costs reflected in the calculation of the RAC factor is based on actual data for the period July 1, 2013 through June 30, 2014 plus prior period true-up amounts. All information for the 2015 Recovery Year, which is the twelve month period ending September 30, 2015, reflects forecast data. In this year’s filing, the rate is designed to recover approximately \$11.0 million as reflected on RAC Schedule TK-1 Line 4.

12. In accordance with Petitioner’s tariff, the RAC component is determined by first calculating the sum of (a) one seventh of Petitioner’s net deferred remediation costs incurred during the twelve months ended June 30th, for the periods ending 2014, 2013, 2012, 2011, 2010, 2009 and 2008, less the deferred tax benefit, as shown on RAC Schedule TK-2 pages 1 through 7. The calculation of the proposed rate of \$0.0246 per therm is described and detailed in Mr. Kaufmann’s testimony. Interest

accrued on RAC-related costs is calculated in the manner approved by the Board in its order in BPU Docket No. GX99030121 dated March 30, 2001, *et al.*

13. As discussed in the testimony of Mr. Cook, Petitioner owns, owned and/or operated six former MGP sites located at Erie Street in Elizabeth, South Street in Elizabeth, Rahway, Perth Amboy, Flemington and Newton. Petitioner’s remediation costs are incurred to enable Petitioner to comply with applicable laws and regulations in a prudent manner.

14. Under the RAC, the total annual charge to Petitioner’s customers during any Recovery Year may not exceed five percent (5%) of Petitioner’s total revenues from sales transportation and storage services during the previous annual July 1 through June 30 period. As set forth in Exhibit P-1, the application of this cap calculation does not require a reduction in the remediation costs recoverable during the 2015 Recovery Year.

15. Under the RAC, Petitioner is required to project its anticipated remediation costs for the July 1, 2014 through June 30, 2015 Remediation Year. As discussed by Mr. Cook, Petitioner estimates that it will incur approximately \$15 million of net deferred remediation costs during that period. However, this is only an estimate. Petitioner’s actual costs will be determined by its need to comply with applicable environmental laws and regulations in a prudent manner.

Overall Impact

16. 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 \$0.17, from \$100.65 to \$100.82, or an increase of 0.2%. A comparison of the components of the SBC rate reflecting the current rates and the proposed RAC rate is as follows:

	<u>Current Rate</u>	<u>Proposed Rate</u>
CEP	\$0.0385 per therm	\$0.0385 per therm
RAC	\$0.0229 per therm	\$0.0246 per therm
USF	\$0.0110 per therm	\$0.0110 per therm
<u>Lifeline</u>	<u>\$0.0059 per therm</u>	<u>\$0.0059 per therm</u>
TOTAL	\$0.0783 per therm	\$0.0800 per therm


Miscellaneous

17. Petitioner is serving notice and a copy of this Petition, together with a copy of the exhibits and schedules annexed hereto upon Stefanie A. Brand, Director, Division of Rate Counsel ("Rate Counsel"), 140 East Front Street, 4th Floor, Trenton, New Jersey, upon the service list, 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 RAC rate and associated proposal to become effective December 1, 2014; (3) grant any waivers of Petitioner's tariff or Board regulations as may be required, and (3) grant such other relief as the Board may deem just and proper.

Respectfully submitted,

By:


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
(908) 771-8220

Date: October 6, 2014

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

TO OUR CUSTOMERS:

On October 6, 2014 ("October 6 Petition"), Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas ("the Company") filed a Petition with the New Jersey Board of Public Utilities ("BPU" or "Board") in BPU Docket No. _____ to revise the Remediation Adjustment Clause ("RAC") component of its Societal Benefits Charge ("SBC") rate. The Company's SBC rate consists of four components: (1) the New Jersey Clean Energy Program ("CEP") component which recovers the costs of statewide energy efficiency and renewable energy programs mandated by the Board, (2) the Remediation Adjustment Clause, which allows the Company to recover certain environmental remediation costs, and two statewide low-income energy bill payment assistance programs: (3) the Universal Service Fund; and (4) the Lifeline program. The October 6 Petition only seeks to change the RAC component of the SBC rate. Specifically, the Company has petitioned the Board to establish a RAC rate of \$0.0246 per therm inclusive of applicable taxes to be effective December 1, 2014. A comparison of the current and proposed rates is as follows:

	<u>Current Rate</u> <u>Per Therm</u>	<u>Proposed Rate</u> <u>Per Therm</u>
RAC	\$0.0229	\$0.0246

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

Consumption in <u>Therms</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Change in Bill</u>	<u>Percent Change</u>
100	\$100.65	\$100.82	\$0.17	0.2%

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 this rate at a level other than that proposed by Elizabethtown.

Copies of the Petition are available for inspection at the Company's office located at 300 Connell Drive, Suite 3000, Berkeley Heights, New Jersey, online at Elizabethtown's website: 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 increase. Information provided at the public hearings will become part of the record of this case and will be considered by the Board in making its decision. In order to encourage full participation in this opportunity for public comment, please submit requests for needed accommodations, including an interpreter, listening devices and/or mobility assistance, 48 hours prior to this hearing. In addition, members of the public may submit written comments concerning the Petition to the BPU regardless of whether they attend the hearing by addressing them to: Kristi Izzo, Secretary, Board of Public Utilities, 44 South Clinton Avenue, 9th Floor, Post Office 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.

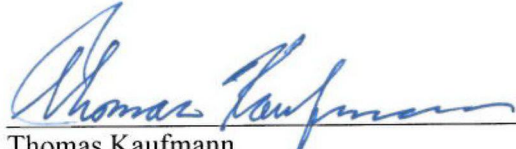
Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas
Brian MacLean – President

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 exhibits 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
6th day of OCTOBER, 2014.



Notary Public

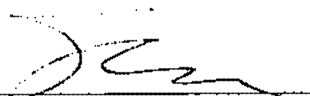
DEBORAH Y. BAILEY
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires Sept. 8, 2015

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

I, Steven L. Cook, being duly sworn according to law, upon his oath, deposes and says:

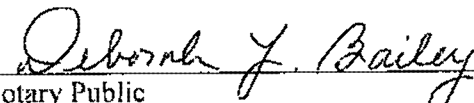
1. I am the Manager of Environmental Programs for the Petitioner in the foregoing Petition and I am authorized to make this Affidavit on behalf of the Petitioner.

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



Steven L. Cook
Manager, Environmental Programs

Sworn to and subscribed to before me this
6th day of OCTOBER, 2014.



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
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
3 300 Connell Drive, Suite 3000, Berkeley Heights, New
4 Jersey 07922.

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

6 A. I am employed by Pivotal Utility Holdings, Inc.
7 d/b/a 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
11 and rate schedules for regulatory filings with the New
12 Jersey 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. I will discuss the derivation of the Remediation
24 Adjustment Clause ("RAC") component of the Societal

1 Benefits Charge ("SBC") rate to be assessed to the
2 Company's customer classes subject to the RAC for the
3 2015 Recovery Year, which is the twelve month period
4 ending September 30, 2015.

5 Q. WHAT EFFECTIVE DATE IS THE COMPANY PROPOSING FOR THE RAC
6 RATE?

7 A. The Company is proposing that the proposed RAC rate
8 take effect on December 1, 2014.

9 Q. WHEN WAS THE COMPANY'S RAC RATE LAST REVISED?

10 A. This rate was last revised by a December 18, 2013
11 Order ("December 18 Order") with an effective date of
12 January 1, 2014 in Docket No. GR12100936. The December
13 18 Order resolved the Company's then-pending 2012 annual
14 SBC reconciliation filing and approved the Company's
15 current RAC rate of \$0.0229 per therm.

16 Q. WHAT IS THE STATUS OF THE 2013 RAC ANNUAL RECONCILIATION
17 FILING?

18 A. The 2013 RAC filing in Docket No. GR13090839 is
19 pending before the Board.

20 Q. DOES YOUR TESTIMONY INCLUDE ANY ILLUSTRATIVE SCHEDULES?

21 A. Yes. My testimony includes schedules and proposed
22 tariff sheets that were prepared under my direction and
23 supervision. As explained in the Petition some of these
24 schedules contain information responsive to the Minimum

1 Filing Requirements agreed to in a Board Order involving
2 the Company's 2007, 2008 and 2009 SBC filings. An Index
3 to the MFRs is included with the Petition. The schedules
4 are as follows:

5 (1) Tariff Schedule TK-1 consists of revised tariff
6 sheets in redlined and clean form which reflect the
7 proposed RAC rate.

8 (2) Forecast Schedule TK-1 provides the level of
9 forecast sales and services for the 2015 Recovery
10 Year, which was utilized in the calculation of the
11 proposed RAC rate.

12 (3) RAC Schedule TK-1 sets forth the calculation of the
13 proposed RAC rate for the 2015 Recovery Year.

14 (4) RAC Schedule TK-2 consists of seven pages and
15 presents the calculation of the recoverable portion
16 of remediation costs for the twelve months ended
17 June 30, 2014, 2013, 2012, 2011, 2010, 2009 and
18 2008, respectively, to be recovered through the
19 proposed RAC rate.

20 (5) RAC Schedule TK-3 sets forth the calculation of
21 carrying costs applied to the RAC consistent with
22 the Board's Order dated March 30, 2001 in Docket No.
23 GX99030121, *et al.*

1 (6) RAC Schedule TK-4 sets forth the prior year
2 reconciliation of 2014 Recovery Year recoverable
3 costs versus actual recoveries for the twelve month
4 period ended June 30, 2014, which is included in the
5 calculation of the proposed RAC rate.

6 (7) RAC Schedule TK-5 sets forth the calculation to
7 determine whether Elizabethtown's proposed recovery
8 of remediation costs exceeds 5% of the Company's
9 total revenues from sales, transportation and
10 storage services during the twelve months ended June
11 30, 2014.

12 (8) RAC Schedule TK-6 sets forth the RAC recoveries for
13 the twelve months ended June 30, 2014.

14 REVENUE FORECAST

15 Q. WHAT IS THE METHODOLOGY USED TO PROJECT FIRM SALES AND
16 SERVICES FOR THE RECOVERY YEAR IN ORDER TO DERIVE THE
17 COMPANY'S PROPOSED RAC RATE?

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

23

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

2 A. The gas sales demand forecast as set forth on
3 Forecast Schedule TK-1 for the RAC is for the twelve
4 month period ended September 2015, a period of 12 months,
5 also referred to as the 2015 Recovery Year.

6 Q. WERE THE COMPANY'S FIRM AND NON-FIRM SALES AND
7 TRANSPORTATION REVENUE FORECASTS PREPARED USING THE SAME
8 METHODOLOGY USED BY THE COMPANY IN PREPARING LAST YEAR'S
9 REVENUE FORECASTS?

10 A. Yes. The Company continues to use regression
11 equations based on actual historical sales demand data as
12 well as any known customer changes to develop the
13 forecast demand.

14 THE RAC COMPONENT OF THE SBC RATE

15 Q. PLEASE DESCRIBE THE SBC.

16 A. The SBC currently consists of the following
17 components: (1) the RAC, (2) the New Jersey Clean Energy
18 Program ("CEP"), (3) the Universal Service Fund ("USF")
19 charge, and (4) the Lifeline charge.

20 Q. WHAT CUSTOMERS ARE ASSESSED THE SBC?

21 A. The SBC charge is applicable to all customers, with
22 the exception of those exempt from the charge pursuant to
23 the Long-Term Capacity Agreement Pilot Program
24 legislation enacted on January 28, 2011.

1 Q. IS THE COMPANY PROPOSING ANY CHANGES TO THE CEP, USF OR
2 LIFELINE RATES IN THIS FILING?

3 A. No, as explained in the Petition, the
4 reconciliations of those rates have been addressed in
5 separate filings.

6 Q. WHAT RAC RATE IS THE COMPANY PROPOSING BY THIS FILING?

7 A. Elizabethtown is proposing a RAC rate of \$0.0246 per
8 therm, which is an increase of \$0.0017 per therm from its
9 currently effective RAC rate of \$0.0229 per therm.

10 Q. PLEASE EXPLAIN HOW THIS PROPOSED RAC RATE WAS CALCULATED.

11 A. The proposed RAC rate is calculated by determining
12 the sum of one seventh of the Company's net deferred
13 remediation costs, less the deferred tax benefit
14 associated with the unamortized balances of these costs
15 during each of the Remediation Years ended June 30, 2014,
16 2013, 2012, 2011, 2010, 2009 and 2008 respectively, as
17 shown on Pages 1-7 of RAC Schedule TK-2, as adjusted for
18 applicable carrying costs as shown on RAC Schedule TK-3,
19 and the prior year's projected over or under-recovery
20 balance shown on RAC Schedule TK-4. All of these items
21 are as shown on RAC Schedule TK-1. The net total
22 represents the amount to be recovered in the 2015
23 Recovery Year through the RAC component, as shown on RAC
24 Schedule TK-1. This total is then divided by the volumes

1 projected for the Recovery Year for the service
2 classifications and customers subject to the SBC as shown
3 on Forecast Schedule TK-1, with the resulting quotient
4 adjusted for applicable taxes and assessments to arrive
5 at a RAC rate of \$0.0246 per therm.

6 Q. WHAT IS THE LEVEL OF DEFERRED REMEDIATION COSTS ELIGIBLE
7 FOR RECOVERY FOR THE REMEDIATION YEAR ENDED JUNE 30,
8 2014?

9 A. The level of total deferred remediation costs for
10 the twelve month period ended June 30, 2014 period is
11 \$3,984,044 as discussed in the testimony and supporting
12 schedules of Company witness Steven L. Cook. The amount
13 is then adjusted for third party recoveries and deferred
14 insurance litigation costs as shown on RAC Schedule TK-2,
15 page 1 of 7. The resulting net amortizable recoverable
16 costs of \$3,821,263, divided by seven and adjusted for
17 the deferred tax benefit as set forth on RAC Schedule TK-
18 2, page one of seven, yields \$545,895.

19 Q. WHAT ARE THE CURRENT REMEDIATION COSTS ELIGIBLE FOR
20 RECOVERY?

21 A. The table presents the eligible recoverable costs by
22 year as well as each year's filing status:

23

1

<u>Year</u>	<u>Eligible Amount</u>	<u>Filing Status / Date Approved:</u>
2014	\$501,563	
2013	\$597,213	pending in Docket No. GR13090839
2012	\$1,014,228	December 18, 2013 in Docket No. GR12100936
2011	\$1,347,376	April 29, 2013 in Docket No. GR11080485
2010	\$436,664	May 23, 2012 in Docket No. GR10070510
2009	\$456,694	September 22, 2011 in Docket No. GR09080651
2008	\$362,376	September 22, 2011 in Docket No. GR08090836
Total	<u>\$4,716,114</u>	

2

3 Q. HOW IS THE DEFERRED TAX BENEFIT CALCULATED?

4 A. The deferred tax benefit is calculated by
5 multiplying the unamortized portion of the Company's net
6 deferred remediation costs by the effective statutory
7 income tax rate and the RAC Interest Rate. In accordance
8 with the Board's Order dated July 8, 1999 in Docket No.
9 GR98080535, et al., the statutory tax rate used in the
10 calculation of the deferred tax benefit is 40.85% and
11 includes Corporate Business Tax. This results in a
12 deferred tax benefit of \$44,332 for the twelve months
13 ended June 30, 2014. This calculation is presented in
14 RAC Schedule TK-2, page one of seven which is the same
15 methodology applied to the prior years being amortized.

16 Q. WHAT ARE THE RESULTS OF THE PRIOR YEAR'S RECOVERY
17 RECONCILIATION?

1 A. RAC Schedule TK-4 provides a reconciliation of the
2 2014 Recovery Year which shows an under-recovery balance
3 of \$5,418,219 as of June 30, 2014.

4 Q. WHAT LEVEL OF COSTS IS THE PROPOSED RAC RATE DESIGNED TO
5 RECOVER?

6 A. The proposed RAC rate is designed to recover an
7 amount of \$10,954,682 as set forth on RAC Schedule TK-1,
8 Line 4.

9 Q. PLEASE DESCRIBE THE ANNUAL CAP CALCULATION.

10 A. Under the RAC, total annual remediation costs
11 charged to the Company's customers during any recovery
12 year may not exceed five percent (5%) of the Company's
13 total revenues from sales, transportation and storage
14 services during the preceding July 1 through June 30
15 period. For the twelve month period ended June 30, 2014,
16 total revenues were \$420,453,578. RAC Schedule TK-5
17 illustrates that the total remediation costs do not
18 exceed the five percent cap.

19 Q. ARE CARRYING COSTS INCLUDED IN THE RAC CALCULATION?

20 A. Yes. In accordance with the Board's Order dated
21 March 30, 2001 in Docket No. GX99030121 et al., the
22 Company is permitted to recover carrying costs. The
23 carrying costs have been accrued at the interest rate
24 applicable to all SBC-related balances.

1 Q. HOW ARE THE CARRYING COSTS CALCULATED?

2 A. Carrying cost rates are applied to each year's net
3 prior year balance and current year expenditures and
4 recoveries. The interest rate is based on the rate
5 available from seven year constant maturity Treasury
6 securities established closest to August 31st of each year
7 plus 60 basis points. This interest rate, currently
8 2.84%, is applied to monthly net RAC balances as shown on
9 RAC Schedule TK-3. Interest on monthly balances is not
10 compounded.

11 Q. PLEASE SUMMARIZE THE PROPOSED CHANGE TO THE RAC RATE.

12 A. The current RAC rate is \$0.0229 per therm and the
13 proposed RAC rate is \$0.0246 per therm, which the Company
14 proposes to take effect December 1, 2014.

15 Q. WHAT IS THE IMPACT OF THE PROPOSED RAC RATE CHANGE ON
16 TYPICAL RESIDENTIAL CUSTOMERS?

17 A. The total impact of the proposed adjustment to the
18 RAC rate on a typical residential heating customer using
19 100 therms is to increase the customer's typical monthly
20 bill by \$0.17 from \$100.65 to \$100.82, an increase of
21 0.2%, as compared to the Company's present rates.

22 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

23 A. Yes, it does.

ELIZABETHTOWN GAS

B. P. U. NO. 14 – GAS

CANCELLING

B. P. U. NO. 13 – GAS

THIRTEENTH 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 and those customers exempted pursuant to the Long-Term Capacity Agreement Pilot Program ("LCAPP"), P.L. 2011, c.9, codified as N.J.S.A. 48:3-60.1. See the LCAPP Exemption Procedures at the end of this Rider.

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")	\$0.0385
II.	Remediation Adjustment Charge ("RAC")	\$0.0246 \$0.0229
III.	<u>Universal Service Fund and Lifeline:</u>	
	1. Universal Service Fund ("USF")	\$0.0110
	2. Lifeline	\$0.0059
	TOTAL	\$0.0800 \$0.0783

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: ~~September 30, 2014~~Effective: Service Rendered
on and after ~~October 1, 2014~~

Issued by: Brian MacLean, President
300 Connell Drive, Suite 3000
Berkeley Heights, New Jersey 07922

Filed Pursuant to Order of the Board of Public Utilities
Dated ~~September 30, 2014~~ in Docket No. ER14060613

CLEAN

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

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Date of Issue: Effective: Service Rendered
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 300 Connell Drive, Suite 3000
 Berkeley Heights, New Jersey 07922

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

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

FORECASTED SALES VOLUME
RECOVERY YEAR - 2015

		SBC Therms *
<u>Sales</u>		
RDS & GLS	Residential	220,548,500
SGS & GDS	Commercial	64,494,763
LVD & EGF	Industrial	718,100
IS, CS, CSI & Spec. Contracts	Interruptible	2,428,570
	Total Sales	<u>288,189,933</u>
<u>Transportation</u>		
RDS	Residential, <i>included above</i>	-
GDS	Commercial	71,484,700
FTS & Firm Spec. Contracts	Industrial	47,603,859
IS, CS, & IT Spec. Contracts	Interruptible	71,591,169
	Total Transportation	<u>190,679,728</u>
	Total Sales and Transportation	<u>478,869,661</u>

* Excludes LCAPP therms used for wholesale electric generation.

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS
SOCIETAL BENEFITS CHARGE (SBC)
REMEDIATION ADJUSTMENT CLAUSE (RAC)

CALCULATION OF THE RAC COMPONENT OF THE SBC
October 1, 2014 through September 30, 2015
RECOVERY YEAR - 2015

1.a Recovery Year Amortization Costs (Sch. TK-2, L5, pgs 1+2+3+4+5+6+7)	\$4,963,998
1.b Recovery Year Deferred Tax benefits (Sch. TK-2, L16, pgs 1+2+3+4+5+6+7)	<u>(\$247,884)</u>
1 Recovery Year Recoverable Costs (1.a +1.b)	\$4,716,114
2 Accrued Carrying Costs (Sch. TK-3)	\$820,349
3 Prior Year RAC Underrecovery (Sch. TK-4)	<u>\$5,418,219</u>
4 Total Recovery Year Recoverable / (Refund) Costs (L1+L2+L3)	\$10,954,682
5 Projected Normalized Sales and Services (Forecast Sch. TK-1)	478,869,661 therms
6 RAC COMPONENT, before taxes and assessment (L4/L5)	\$0.0229 /therm
7 BPU & RC Assessment Factors	<u>1.0028</u>
8 RAC COMPONENT, before taxes (L6*L7)	\$0.0230
9 Sales & Use Tax @ 7.00%	<u>\$0.0016</u>
10 RAC COMPONENT (L8+L9)	<u><u>\$0.0246</u></u> /therm

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

AMORTIZATION RECOVERY YEAR - 2015

Y/E 6/30/14

1	Total Recoverable Costs		\$3,984,044
2	Adjustments to Recoverable Costs		
2A	A. 100% of Third Party Recoveries		(\$4,500)
2B	B. Prior Period(s) Deferred		\$247,470
2C	C. Deferral of 50% of Ins. Litigation Awaiting Recovery		(\$405,751)
3	Less Miscellaneous Adjustments		\$0
4	Amortizable Recoverable Costs		\$3,821,263
5	Amortization Recoverable Cost (L4/7)		\$545,895
6	Deferred Tax Calculation		
7	Unamortized Recoverable Costs:		
8	Upcoming Recovery Year	2015	
9	Remediation Year	2014	
10	Difference (L8-L9)	1	
11	Unamortized Factor (7-(difference-1))/7	1	
12	Unamortized Recoverable Costs (L4*L11)		\$3,821,263
13	Tax Rate		40.85%
14	Deferred Taxes on Net Deferred Remediation Cost (L12*L13)		\$1,560,986
15	Interest on Deferred Taxes at the RAC interest rate set August 31st equal to the seven year constant maturity Treasuries plus 60 basis points.		2.84%
16	Deferred Tax Benefit (L14*L15)		(\$44,332)
17	2014 Remediation Year 2013-14 (L5+L16)		\$501,563

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

AMORTIZATION RECOVERY YEAR - 2015

Y/E 6/30/13

1	Total Recoverable Costs		\$4,677,399
2	Adjustments to Recoverable Costs		
2A	A. 100% of Third Party Recoveries		(\$7,843)
2B	B. Prior Period(s) Deferred		\$71,171
2C	C. Deferral of 50% of Ins. Litigation Awaiting Recovery		(\$247,470)
3	Less Miscellaneous Adjustments		<u>\$0</u>
4	Amortizable Recoverable Costs		\$4,493,257
5	Amortization Recoverable Cost (L4/7)		\$641,894
6	Deferred Tax Calculation		
7	Unamortized Recoverable Costs:		
8	Upcoming Recovery Year	2015	
9	Remediation Year	2013	
10	Difference (L8-L9)	2	
11	Unamortized Factor	$(7-(\text{difference}-1))/7$	0.857143
12	Unamortized Recoverable Costs (L4*L11)		\$3,851,363
13	Tax Rate		40.85%
14	Deferred Taxes on Net Deferred Remediation Cost (L12*L13)		\$1,573,282
15	Interest on Deferred Taxes at the RAC interest rate set August 31st equal to the seven year constant maturity Treasuries plus 60 basis points.		2.84%
16	Deferred Tax Benefit (L14*L15)		<u>(\$44,681)</u>
17	2014 Remediation Year 2012-13 (L5+L16)		\$597,213

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

AMORTIZATION RECOVERY YEAR - 2015

Y/E 6/30/12

1	Total Recoverable Costs		\$7,605,951
2	Adjustments to Recoverable Costs		
2A	A. 100% of Third Party Recoveries		(\$78,199)
2B	B. Prior Period(s) Deferred		\$80,202
2C	C. Deferral of 50% of Ins. Litigation Awaiting Recovery		(\$71,171)
3	Less Miscellaneous Adjustments		\$0
4	Amortizable Recoverable Costs		\$7,536,783
5	Amortization Recoverable Cost (L4/7)		\$1,076,683
6	Deferred Tax Calculation		
7	Unamortized Recoverable Costs:		
8	Upcoming Recovery Year	2015	
9	Remediation Year	2012	
10	Difference (L8-L9)	3	
11	Unamortized Factor	(7-(difference-1))/7	0.714286
12	Unamortized Recoverable Costs (L4*L11)		\$5,383,416
13	Tax Rate		40.85%
14	Deferred Taxes on Net Deferred Remediation Cost (L12*L13)		\$2,199,125
15	Interest on Deferred Taxes at the RAC interest rate set August 31st equal to the seven year constant maturity Treasuries plus 60 basis points.		2.84%
16	Deferred Tax Benefit (L14*L15)		(\$62,455)
17	2014 Remediation Year 2011-12 (L5+L16)		\$1,014,228

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

AMORTIZATION RECOVERY YEAR - 2015

Y/E 6/30/11

1	Total Recoverable Costs		\$9,991,455
2	Adjustments to Recoverable Costs		
2A	A. 100% of Third Party Recoveries		(\$26,501)
2B	B. 50% Prior Period(s) Deferred allowed for Recoverable		\$5,865
2C	C. Deferral of 50% of Ins. Litigation Awaiting Recovery		(\$80,202)
3	Less Miscellaneous Adjustments TK-3		\$0
4	Amortizable Recoverable Costs		\$9,890,617
5	Amortization Recoverable Cost (L4/7)		\$1,412,945
6	Deferred Tax Calculation		
7	Unamortized Recoverable Costs:		
8	Upcoming Recovery Year	2015	
9	Remediation Year	2011	
10	Difference (L8-L9)	4	
11	Unamortized Factor	$(7-(\text{difference}-1))/7$	0.571429
12	Unamortized Recoverable Costs (L4*L11)		\$5,651,781
13	Tax Rate		40.85%
14	Deferred Taxes on Net Deferred Remediation Cost (L12*L13)		\$2,308,753
15	Interest on Deferred Taxes at the RAC interest rate set August 31st equal to the seven year constant maturity Treasuries plus 60 basis points.		2.84%
16	Deferred Tax Benefit (L14*L15)		<u>(\$65,569)</u>
17	2014 Remediation Year 2010-11 (L5+L16)		\$1,347,376

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

AMORTIZATION RECOVERY YEAR - 2015

Y/E 6/30/10

1	Total Recoverable Costs		\$3,251,160	
2	Adjustments to Recoverable Costs		\$0	
2A	A. 100% of Third Party Recoveries		(\$78,425)	
2B	B. 50% Prior Period(s) Deferred allowed for Recoverable		\$0	
2C	C. Deferral of 50% of Ins. Litigation Awaiting Recovery		(\$5,865)	
3	Less Miscellaneous Adjustments TK-3		\$0	
4	Amortizable Recoverable Costs		\$3,166,870 *	
5	Amortization Recoverable Cost (L4/7)			\$452,410
6	Deferred Tax Calculation			
7	Unamortized Recoverable Costs:			
8	Upcoming Recovery Year	2015		
9	Remediation Year	2010		
10	Difference (L8-L9)	5		
11	Unamortized Factor	$(7-(\text{difference}-1))/7$	0.428571	
12	Unamortized Recoverable Costs (L4*L11)		\$1,357,230	
13	Tax Rate		40.85%	
14	Deferred Taxes on Net Deferred Remediation Cost (L12*L13)		\$654,428	
15	Interest on Deferred Taxes at the RAC interest rate set August 31st equal to the seven year constant maturity Treasuries plus 60 basis points.		2.84%	
16	Deferred Tax Benefit (L14*L15)			(\$15,746)
17	2014 Remediation Year 2009-10 (L5+L16)			\$436,664

* Reduced by \$5.865 to reflect the deferral of litigation costs pending a third party recovery.

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

AMORTIZATION RECOVERY YEAR - 2015

Y/E 6/30/09

1	Total Recoverable Costs		\$3,269,694
2	Adjustments to Recoverable Costs		
2A	A. 100% of Third Party Recoveries		\$0
2B	B. 50% Prior Period(s) Deferred allowed for Recoverable		\$0
2C	C. Deferral of 50% of Ins. Litigation Awaiting Recovery		\$0
3	Less Miscellaneous Adjustments TK-3		\$3,099
4	Amortizable Recoverable Costs		\$3,272,793 *
5	Amortization Recoverable Cost (L4/7)		\$467,542
6	Deferred Tax Calculation		
7	Unamortized Recoverable Costs:		
8	Upcoming Recovery Year	2015	
9	Remediation Year	2009	
10	Difference (L8-L9)	6	
11	Unamortized Factor	$(7 - (\text{difference} - 1)) / 7$	0.285714
12	Unamortized Recoverable Costs (L4*L11)		\$935,084
13	Tax Rate		40.85%
14	Deferred Taxes on Net Deferred Remediation Cost (L12*L13)		\$381,982
15	Interest on Deferred Taxes at the RAC interest rate set August 31st equal to the seven year constant maturity Treasuries plus 60 basis points.		2.84%
16	Deferred Tax Benefit (L14*L15)		<u>(\$10,848)</u>
17	2014 Remediation Year 2008-09 (L5+L16)		\$456,694

* Adjusted for \$3,096 of Expenses not previously reported in July 08 - June 09 and Dec 08
South St \$26.25 to \$29.25

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

AMORTIZATION RECOVERY YEAR - 2015

Y/E 6/30/08

1	Total Recoverable Costs		\$2,566,402
2	Adjustments to Recoverable Costs		
2A	A. 100% of Third Party Recoveries		\$0
2B	B. 50% Prior Period(s) Deferred allowed for Recoverable		\$0
2C	C. Deferral of 50% of Ins. Litigation Awaiting Recovery		\$0
3	Less Miscellaneous Adjustments TK-3		\$0
4	Amortizable Recoverable Costs		\$2,566,402
5	Amortization Recoverable Cost (L4/7)		\$366,629
6	Deferred Tax Calculation		
7	Unamortized Recoverable Costs:		
8	Upcoming Recovery Year	2015	
9	Remediation Year	2008	
10	Difference (L8-L9)	7	
11	Unamortized Factor	$(7-(\text{difference}-1))/7$	0.142857
12	Unamortized Recoverable Costs (L4*L11)		\$366,629
13	Tax Rate		40.85%
14	Deferred Taxes on Net Deferred Remediation Cost (L12*L13)		\$149,768
15	Interest on Deferred Taxes at the RAC interest rate set August 31st equal to the seven year constant maturity Treasuries plus 60 basis points.		2.84%
16	Deferred Tax Benefit (L14*L15)		<u>(\$4,253)</u>
17	2014 Remediation Year 2007-08 (L5+L16)		\$362,376

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS
SOCIETAL BENEFITS CHARGE (SBC)
REMEDATION ADJUSTMENT CLAUSE (RAC)

RAC Schedule
TK-3

Carrying Costs

	Beginning Balance	Total Remediation Costs (2)	Third Party Recoveries at 100% (3)	Adjustments (see below)	(Recoveries) / Disbursement TK-6	Credit for Deferred Tax Benefit (4)	Ending Balance	Average Balance	Interest Rate *	Carrying Costs	Ending Balance plus Cumulative Interest **
a	b	c	d	d.1	e	f	=b+c+d+d.1+e	h=(b+g)/2	i	=h*i/12	m=g+ cum of j
<u>Beginning Balance (1)</u>											
Jul-13	\$32,415,034	\$496,065	\$0	\$0	(\$182,126)	(\$12,084)	\$32,716,889	\$32,565,962	1.61%	\$43,693	\$32,760,582
Aug-13	\$32,716,889	\$441,114	\$0	\$0	(\$170,322)	(\$12,084)	\$32,975,597	\$32,846,243	1.61%	\$44,069	\$33,063,359
Sep-13	\$32,975,597	\$328,067	\$0	\$0	(\$171,801)	(\$12,084)	\$33,119,779	\$33,047,688	2.84%	\$78,213	\$33,285,754
Oct-13	\$33,119,779	\$312,512	\$0	\$0	(\$198,767)	(\$12,084)	\$33,221,440	\$33,170,610	2.84%	\$78,504	\$33,465,919
Nov-13	\$33,221,440	\$128,614	\$0	\$0	(\$351,364)	(\$12,084)	\$32,986,606	\$33,104,023	2.84%	\$78,346	\$33,309,431
Dec-13	\$32,986,606	\$411,283	\$0	\$0	(\$621,170)	(\$12,084)	\$32,764,635	\$32,875,621	2.84%	\$77,806	\$33,165,266
Jan-14	\$32,764,635	\$275,947	\$0	\$0	(\$1,261,193)	(\$12,084)	\$31,767,305	\$32,265,970	2.84%	\$76,363	\$32,244,299
Feb-14	\$31,767,305	\$344,204	\$0	\$0	(\$1,845,655)	(\$12,084)	\$30,253,770	\$31,010,538	2.84%	\$73,392	\$30,804,156
Mar-14	\$30,253,770	\$499,128	\$0	\$0	(\$1,670,196)	(\$12,084)	\$29,070,618	\$29,662,194	2.84%	\$70,201	\$29,691,205
Apr-14	\$29,070,618	\$323,732	\$0	\$0	(\$1,123,890)	(\$12,084)	\$28,258,376	\$28,664,497	2.84%	\$67,839	\$28,946,802
May-14	\$28,258,376	\$246,339	\$0	\$0	(\$654,853)	(\$12,084)	\$27,837,778	\$28,048,077	2.84%	\$66,380	\$28,592,584
Jun-14	\$27,837,778	\$177,039	(\$4,500)	\$0	(\$447,620)	(\$12,081)	\$27,550,616	\$27,694,197	2.84%	\$65,543	\$28,370,965
Total		\$3,984,044	(\$4,500)	\$0	(\$8,698,957)	(\$145,005)				\$820,349	

Notes:

(1) Beginning Balance is the ending balance from 2013.

(2) These costs include 100% of all expenses as such, they may vary from the amortizable recoverable costs on RAC Schedule TK-2. The primary difference would be the deferral of all NRD expenses and fifty percent of the costs incurred in pursuit of third party claims which are deferred pending a Third Party recovery.

(3) Recovery credit at 100%, as all expenses have been included, for purposes of deriving Carrying costs.

(4) Reduction of the Remediation Costs to reflect a Deferred Tax Benefit on a monthly basis sourced from last year's RAC TK-2 Schedules 1-7.

* 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/

** Net (Over) / Under Recovery Position

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS
SOCIETAL BENEFITS CHARGE (SBC)
REMEDIATION ADJUSTMENT CLAUSE (RAC)
AMORTIZATION RECOVERY YEAR

Prior Year's Reconciliation

FOR RECOVERY YEAR **2014**

1	Total to be Recovered / (Refunded) , (prior year Sch TK-1)	\$14,117,176
2	Other	<u>\$0</u>
3	Adjusted Prior Year Balance (L1+L2)	\$14,117,176
4	Actual Recoveries / (Refunds) (Sch TK-6)	<u>\$8,698,957</u>
5	Prior Year Under Recovery, (L3-L4)	<u><u>\$5,418,219</u></u>

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS
SOCIETAL BENEFITS CHARGE (SBC)
REMEDATION ADJUSTMENT CLAUSE (RAC)
Annual Cap Calculation
RECOVERY YEAR -
2015

1	Total Revenues 12 months ended June 30, 2014	\$420,453,578
2	5 % of Line 1	\$21,022,679
3	Total Remediation Costs to be Recovered this Year, (Sch TK-1)	\$10,954,682
4	Excess Remediation Costs to be Deferred (L4 = If L3 < L2 then zero, else L3 - L2)	\$0

PIVOTAL UTILITY HOLDINGS, INC. d/b/a ELIZABETHTOWN GAS
SOCIETAL BENEFITS CHARGE (SBC)
REMIEDIATION ADJUSTMENT CLAUSE (RAC)

Cost Recoveries
12 Months Ended
June-14

	<u>(Therms)</u>	<u>Rate w/o tax *</u>	<u>Recovery / (Disbursement)</u>
Jul-13	17,634,563	\$0.0103	\$182,126
Aug-13	17,987,896	\$0.0095	\$170,322
Sep-13	17,524,432	\$0.0098	\$171,801
Oct-13	20,046,195	\$0.0099	\$198,767
Nov-13	35,492,071	\$0.0099	\$351,364
Dec-13	62,746,901	\$0.0099	\$621,170
Jan-14	79,468,747	\$0.0159	\$1,261,193
Feb-14	86,568,438	\$0.0213	\$1,845,655
Mar-14	78,058,331	\$0.0214	\$1,670,196
Apr-14	52,658,882	\$0.0213	\$1,123,890
May-14	30,482,896	\$0.0215	\$654,853
Jun-14	20,938,877	\$0.0214	\$447,620
Total	<u>519,608,229</u>		<u>\$8,698,957</u>

* Billing 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.

PIVOTAL UTILITY HOLDINGS, INC.
d/b/a ELIZABETHTOWN GAS
PREPARED DIRECT TESTIMONY
OF STEVEN L. COOK

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Steven Cook. 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 AGL Resources as Manager,
7 Environmental Programs. As such, I am responsible for
8 the efforts of Pivotal Utility Holdings, Inc. d/b/a
9 Elizabethtown Gas ("Elizabethtown" or "Company") to
10 investigate, contain, and remediate its former
11 Manufactured Gas Plant ("MGP") sites.

12 Q. WHAT IS YOUR PROFESSIONAL AND EDUCATIONAL BACKGROUND?

13 A. I am a graduate of East Texas State University
14 where I received my BA Degree in political science and
15 of Seton Hall University School of Law where I earned a
16 Juris Doctorate degree. I am also a member of the New
17 Jersey Bar. I have over twenty years of experience in
18 the environmental field.

19 I have been employed by AGL Resources Inc. ("AGL")
20 since December 2004. Prior to AGL's acquisition of NUI

1 Corporation in 2004, I worked for more than nine years
2 in the environmental department of NUI Utilities, Inc.
3 ("NUI Utilities"), a subsidiary of NUI Corporation. In
4 this position, I managed environmental compliance and
5 liability issues associated with the operations of NUI
6 Utilities including its New Jersey Division,
7 Elizabethtown Gas. In this position, I participated in
8 managing specific issues associated with the
9 investigation and remediation of Elizabethtown's MGP
10 sites. From 1990 to 1995, I was employed by Foster
11 Wheeler Environmental Corporation. There, I held the
12 title of Regulatory Affairs Specialist where I was
13 responsible for assessing the impacts of federal, state
14 and local environmental laws and regulations on various
15 environmental projects. My particular responsibilities
16 included site remediation, permitting and compliance,
17 and environmental liability management.

18 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

19 A. The purpose of my testimony is to support
20 Elizabethtown's Petition in this proceeding to review
21 the Remediation Adjustment Clause ("RAC") component of
22 the Societal Benefits Charge ("SBC"). I will discuss
23 Elizabethtown's efforts to investigate, contain and
24 remediate its former MGP sites in a prudent manner and

1 will discuss the costs incurred by the Company during
2 the period July 1, 2013 through June 30, 2014. I will
3 also discuss the Company's treatment of costs incurred
4 to obtain third party and/or insurance recoveries of
5 MGP-related costs and briefly describe the MGP-related
6 rate and third party recovery that the Company has
7 obtained during the period July 1, 2013 through June 30,
8 2014. Finally, I will provide a projection of the MGP-
9 related costs that the Company is likely to incur during
10 the period July 1, 2014 through June 30, 2015.

11 Q. DOES YOUR TESTIMONY INCLUDE ANY ILLUSTRATIVE SCHEDULES?

12 A. Yes. My testimony includes the schedules listed
13 below that were prepared under my direction and
14 supervision. As explained in the Petition, these
15 schedules contain information responsive to the Minimum
16 Filing Requirements ("MFRs") reflected in a Stipulation
17 that was approved in the proceedings involving the
18 Company's 2007, 2008 and 2009 SBC filings. An Index to
19 the MFRs is included with the Petition. The schedules
20 are as follows:

21 (1) Schedule SLC-1 consists of a summary of MGP-
22 related expenses incurred by the Company from July
23 1, 2013 through June 30, 2014. This schedule also
24 provides information concerning insurance, third

1 party and rate recoveries of MGP-related expenses
2 associated with this period.

3 (2) Schedule SLC-2 contains information responsive
4 to MFRs 1 through 8, MFRs 10 through 12 and MFRs 14
5 through 18.

6 Q. HOW MANY FORMER MGP SITES HAS ELIZABETHTOWN OWNED OR
7 OPERATED?

8 A. Elizabethtown owns, owned and/or operated MGPs at
9 six sites located within the State of New Jersey. These
10 six sites will be referred to as (1) Erie Street,
11 Elizabeth; (2) South Street, Elizabeth; (3) Rahway; (4)
12 Perth Amboy; (5) Flemington; and (6) Newton. Four of
13 these six sites (Erie Street, South Street, Rahway, and
14 Perth Amboy) were owned and/or operated solely by
15 Elizabethtown and/or its predecessor companies. The
16 remaining sites (Newton and Flemington) were also owned
17 and operated by a predecessor of Jersey Central Power &
18 Light Company, which is now owned by First Energy,
19 herein referred to as ("JCP&L"). Elizabethtown also is
20 responsible for a site that I will refer to as the
21 Renora Landfill.

22 Q. HAVE ELIZABETHTOWN'S MGP-RELATED COSTS AT ITS VARIOUS
23 SITES BEEN INCURRED TO COMPLY WITH APPLICABLE LAWS AND
24 REGULATIONS?

1 A. Yes. In all instances, Elizabethtown's efforts to
2 test, contain, and remediate its former MGP sites have
3 been directed toward complying with applicable laws and
4 regulations in a reasonable, cost prudent manner.

5 Q. PLEASE UPDATE THE STATUS OF EACH OF ELIZABETHTOWN'S
6 FORMER MGP SITES AND THE COSTS INCURRED FROM JULY 1,
7 2013 THROUGH JUNE 30, 2014.

8 A. Set forth below is a discussion of the activities
9 that were either ongoing or completed during the period
10 July 1, 2013 through June 30, 2014 at each of the
11 Company's MGP sites:

12 Erie Street

13 In accordance with applicable laws and regulations,
14 including mandatory remediation deadlines, the Company
15 has completed the remedial investigation at the Erie
16 Street site. In addition, the Company continues to
17 perform work to support interim remedial measures at the
18 site.

19 Activities associated with the completion of the
20 remedial investigation performed during this RAC period
21 include the sampling of site-wide groundwater monitoring
22 wells as required by the site Licensed Site Remediation
23 Professional ("LSRP") to complete groundwater
24 delineation. A deep bedrock well was also installed to

1 achieve vertical delineation of Dense Non-Aqueous Phase
2 Liquids ("DNAPL") in bedrock fractures. A seismic
3 investigation of the deep bedrock well was performed to
4 determine geologic features that may be influencing the
5 migration of DNAPL within the vicinity of the deep
6 bedrock well.

7 Erie Street is comprised of eight (8) Areas Of
8 Concern ("AOC"), Areas A through H. The Company also
9 began remedial design and pre-construction activities
10 for the remediation of Area A of the site, which will be
11 the first AOC to be addressed by the Company. These
12 activities include the performance of a "soft dig" to
13 support the relocation and abandonment of utilities
14 located within Area A, site storm sewer investigations,
15 waste classification and supplemental pre-design
16 investigation soil borings and sampling, erosion control
17 permitting and the investigation of remediation waste
18 management options. The Company also implemented
19 activities associated with permitting the discharge of
20 dewatering effluent associated with the remediation of
21 Area A to local publicly owned treatment works ("POTW").

22 In addition, the Company began the preparation of a
23 remedial design package for use in the competitive
24 bidding of remedial construction work for Area A. The

1 remediation of Area A is planned to begin during the
2 2014 RAC period and is expected to be completed during
3 the 2015 RAC period and is expected to cost
4 approximately \$12 million.

5 Renora Landfill

6 Remediation of the Renora site was completed by the
7 Renora RD/RA trust in early 1996. On September 27, 1999
8 the United States Environmental Protection Agency
9 ("USEPA") issued a letter constituting a Certificate of
10 Completion of the Remedial Action for the Renora site.
11 Effective March 20, 2000, the Renora site was deleted
12 from the National Priorities List. Elizabethtown
13 anticipates future costs for the Renora site will be
14 limited to reimbursement of a portion of site inspection
15 and maintenance fees.

16 Costs Incurred for Erie Street, Including the Renora
17 Landfill

18 During the current remediation period, July 1, 2013
19 through June 30, 2014, the Company incurred costs of
20 \$2,091,920 in connection with the Erie Street site,
21 including the Renora Landfill. A breakdown of those
22 expenses is included in Schedule SLC-1.